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JULY 1929

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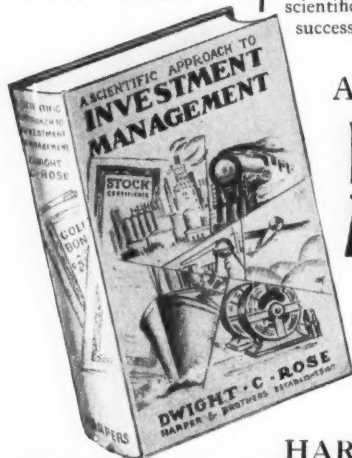
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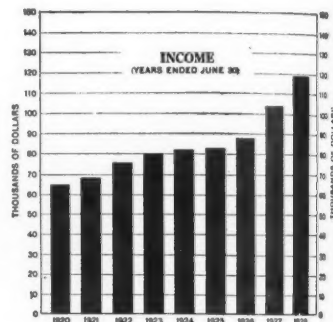
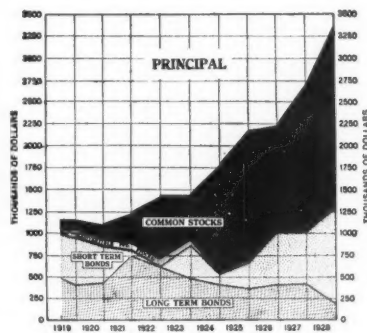
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CURRENT HISTORY

BOOK REVIEWS

VOL. XXX

JULY, 1929

NO. 4

Fascism in the Making

By WALTER JAMES SHEPARD

DEAN, COLLEGE OF LIBERAL ARTS, OHIO STATE UNIVERSITY

THE fruitfulness of subsidized research in the social sciences could have no better demonstration than this volume,* which is the result of studies carried on by the author in Italy during 1926-27 as a Fellow of the National Social Science Research Council. It is unqualifiedly one of the best of the many works which have attempted to interpret the Fascist régime. The reader is gratified to discover that the personality of Mussolini does not dominate the scene. It is the Fascist movement, variegated and kaleidoscopic, embodying the most widely divergent elements, always opportunistic, only gradually evolving a political philosophy, that holds the centre of the picture. Leaders rise and fall, and if Mussolini has succeeded in riding the crest of the wave throughout, it is only because of his supreme political agility, his consummate ability to anticipate the impending course of events. The reader is left to his own conclusion as to whether this is the acme of statesmanship or of demagoguery.

There are two distinct stories of Fascism. The one is the story of action, the other of thought. The first records the amazing series of movements and events by which the most antagonistic elements in Italian society have been welded into a reasonably unified and tremendously effective instrument of political action. There is a real meaning in the term "totalitarianism," which falls so frequently from the lips of Fascist orators. Interventionists, Socialists, nationalists, monarchists, republicans, imperialists, clericals, Free Masons, futurists, syndicalists, bourgeoisie and proletariat—all have somehow found a place in the Fascist movement. The story bristles with incidents of violence, of political intrigue, of personal rivalries. In one region one element is dominant, in another a different one. "Squadrist" plays its rôle for a time, much

along the lines of our Ku Klux Klan. There is the March on Rome, the electoral reform, the Aventine secession, the Matteotti murder, the reconstitution of government. It is all a vivid story of masterful men actuated by widely different, frequently clashing interests, organized in innumerable local *fasci*, but united at first by the common necessity which they felt of overthrowing a corrupted, inept and utterly powerless government, and later coalescing more or less completely in a party which decries the name of party and which identifies itself with the nation. It is certainly too early to pass judgment on this post-war period of Italian history, but there can be no question of the political reality and significance of this movement, which has swept all before it and which today encounters no resistance whatsoever within the territorial limits of the Fascist State. Here is no midsummer-night madness to be dissipated with the breaking of the dawn. Like Soviet Russia, Fascist Italy presents the challenge of accomplished fact—a fact with which we must expect to have to deal for an indefinite future.

The second story, and to the reviewer the far more interesting one, is that of the development of Fascist philosophy. As so frequently in the history of political ideas, we see here the interplay of the event and the idea. Which is cause and which is effect? To this there is no answer, for each reacts upon the other; both are the products of a total situation. No thoughtful student of politics can read the well-selected passages from Fascist literature, which constitute the appendix to the volume before us, without recognizing that here again is a challenge—a challenge to all the accepted theories of democracy and constitutional government, a challenge which will be increasingly difficult to meet. How far have the ideas and concepts which constitute the material of political discussion in America become outworn shibboleths? Liberty, equality, the sovereignty of the people, majority

**Making the Fascist State*. By Herbert W. Schneider. New York: Oxford University Press, 1928. 392 pp. \$5.

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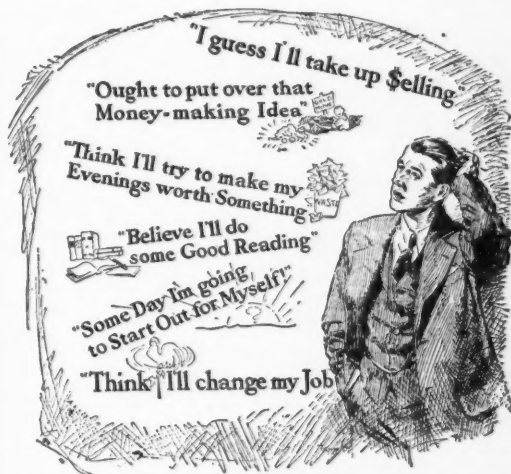
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rule, the separation of powers, indeed democracy itself, are revealed in the light of Fascist theory, as well as Fascist action, as the useless impedimenta of a bygone age. In their place appear a phalanx of ideas and principles, whose origins indeed may be easily enough traced to ancient sources, as is true of all apparently novel political concepts, but which, in their existing combination, and with reference to the use to which they are being put in the Italy of today, constitute a radically new theoretical basis and justification for government. Here we find jostling one another such curious incompatibles as Hegel, William James, Mazzini, de Maistre, Vico, Hobbes and Sorel. Not yet has this discordant clamor of voices been reduced to the harmony of a perfect chorus, but as one listens the outlines of the major theme can be discovered, the recurring motifs detected.

One thing is clear above all else—the radical reaction against “parliamentarism” with all its implications of the supreme wisdom of the composite judgment of the enlightened voting citizens. There is no place in the Fascist theory for the “political man,” who, like the “economic man,” always acts in accordance with a rational system of motives which might be reduced to terms of political law, as the conduct of economic man has been reduced to terms of economic law. Not voting citizens, pursuing a course of enlightened self-interest, constitute the units of the new State which Fascism is creating but economic groups. The State thus emerges as a corporate entity embodying the vital economic group-interests of the nation. Its purpose reaches far beyond a mere subservient protection and fostering of these interests. The corporate State has indeed a transcendental mission, a mystical, a divine rôle. Thus syndicalism joins hands with nationalism. Sorel and Hegel become good bed-fellows.

Pragmatic yet idealistic, pluralistic yet monistic, romantic yet classic, it is impossible to locate Fascist philosophy in any of the neat little pigeon-holes of our accepted classifications. It represents a synthesis of many previously conflicting doctrines and ideas. A new theory of the State, its nature, justification, functions and purpose, is being forged, which traverses all our dearly cherished traditions and ideas. What shall our answer be? Like it or not, we cannot ignore Fascist Italy and its revolutionary political philosophy. We cannot forever make answer to realistic thinking on real problems by quoting the frayed and fading maxims of a century and a half ago. We must meet Italy on her own terms, which are the terms of . . . new world, a world transformed completely by the industrial revolution which has taken place since the comfortable doctrines of democracy, about which

we are apt to be so complacent, were developed.

Haldane—Philosopher And Careerist

By GEORGE E. G. CATLIN

PROFESSOR OF POLITICS, CORNELL UNIVERSITY;
DIRECTOR OF THE *Realist*

IN these days, when the novel is giving way to the biography, how hardly shall a new biography attract attention? However, the autobiography of Viscount Haldane of Cloan,* whom Field Marshal Lord Haig himself called “the greatest Secretary of State for War England has ever had,” is one which merits attention, thanks alike to the position of the writer and to the merit and charm of what he has written.

In many ways, however, the book is not so much disappointing as disillusioning. The spiritual bankruptcy of the Liberal party after Gladstone is made plainly apparent. Gladstone himself “was not really interested in the new ideas of social reform”; Asquith had “fewer views of his own than most of us”; Rosebery was “little interested” in the social problem. There is nothing here to remove the impression of the shock given by Morley’s deplorable *Memorandum*, published after his death, in which we find “Honest John,” author of *An Essay on Compromise*, apparently concerned not least with admiring his own moral figure and with whether he could “imitate Michelangelo’s statue of the *Pensiero* in my library” with its self-control—proceedings lightened “by gossiping about our successors” in the Cabinet with Beauchamp.

Even Haldane himself is a strange mixture of the philosopher and the careerist, a mixture which, indeed, perhaps endears him to us as we see the man of thought endeavoring to find convincing rational justifications for his very human frailties. We see the young lawyer, great grand-nephew of Lords Chancellor Eldon and Stowell, borrowing money, since “to maintain a good appearance was important”; we see him listening to Asquith explaining that “John Bright is the only man in public life who has risen to eminence without being corrupted by London society”; we see this disciple of the great Lotze laboriously studying dancing in order to acquire some of the social graces. We discover him, who

*Richard Burdon Haldane: *An Autobiography*. New York: Doubleday, Doran & Co. 391 pp. \$5.

frankly confesses that he was "looked on by the official group as an intriguer," striving to convince himself that it was his ethical obligation by his country and by the King to accept his first Cabinet appointment. We learn how the newly appointed Lord High Chancellor of England stole at night up the stairs to visit his old law rooms in one of the garrets of Lincoln's Inn; heard the young lawyers still at work late at night; became shy and went down the stairs again. In late life, a convert to the Labor party, we find this elder statesman, a man with as nice a palate as any in London, grimacing over the fact that Labor Cabinets frequently met at 8:15 P. M., "which those of us whose ways were not of the ordinary workingman found awkward." Haldane was an ambitious man in a society of highly ambitious men; his justification is that in the fields of higher education, of the law and of national defense, England is the gainer by his ambitions—ambitions always kept in perspective by a dignified philosophy of life.

Despite the gross ingratitude of the British press and people to Haldane during the war, when he was forced out of office on the ground that he was a pro-German whose "spiritual home" was in Germany, his name will probably always be chiefly associated with the building up by him of the Territorial Army. As much as any single man Haldane, with his Imperial General Staff, was responsible for the German defeat. And his very acquaintance with Germany enabled him to gauge German strength and weakness as Lord (then Sir Edward) Grey and the Foreign Office were entirely unable to do. One yet cannot help feeling that there is something sinister in Haig's commendation of Haldane: "Until you arrived at the War Office no one knew for what purpose our army existed." One cannot help but feel that if this man of unusual intellect, unusual knowledge of German opinion, unusual opportunities, had devoted as much attention to preparing and exploring the possibilities of peace as he spent after 1906 (having decided in his own mind that the fates which govern history might impel Germany to war) in preparing a national army, the results might have been very different. Haldane was later to join the Labor party and introduce into other fields that passion for organization, for expert committees and for what is now called "rationalization" which he displayed at the War Office; but a general staff for peace maintenance at the Foreign Office was not among his plans. Despite addresses on "The Higher Nationalism," he seems chiefly to have learned in Germany not clues for avoiding wars but the need for "an Hegelian army."

For all that his autobiography shows to the contrary, Haldane appears to the end of his

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days to have shared the common delusion that the prospect of war demands expenditure of exacting thought, of energy and of money, but that peace, save for a friendly conversation or two, needs no system, can be "done on the cheap" and can be left to take care of itself. It is the doctrine heard elsewhere and more recently that, if one wishes to preserve peace, the first thing to attend to is not to expend all efforts and explore every avenue to removing the causes of war but to build up a strong defense force of the instruments of war. The fallacy is a venerable one and is likely to last as long as the false conditions last set up by that monstrous anachronism, the sovereign national State.

The Peasants in the Russian Revolution

By A. M. NIKOLAIEFF

FORMER COLONEL IN THE RUSSIAN ARMY

THE importance of the part played in the Russian revolution by the peasants, who number about six-sevenths of the entire population of the former empire, cannot be overestimated. Their attitude on the all-important agrarian question, more than any single factor, was responsible for the various phases and final outcome of the stupendous upheaval. A knowledge of the nature and development of the revolutionary movement among the peasants in the period preceding the Bolshevik *coup d'état* in November, 1917, is therefore indispensable for a clear understanding of the fateful events in that year. In his newly published book* S. Dubrowski, professor in Moscow and writer on the agrarian question in Russia, presents a detailed study of the subject.

The first chapters are devoted to a survey of the rural situation and the peasant movement in the period preceding the war and revolution, from the abolition of serfdom (1861) to the famous Stolypin reform which, after the revolutionary outburst in 1905, the Imperial Government was putting through for the purpose of liquidating gradually the communal system of land ownership by the peasants (the *Obshchina*) and creating a strong class of independent farmers (owners of *Khutors* and *Otrubs*). The greater and most important part of the volume contains a description of the

participation of the peasants in the revolutionary struggle. In it the author analyzes the influence of the war on the rural economy and position of the peasants, and sets forth the consecutive stages of the movement, its "direction" and forms, supplementing the text with numerous tables and diagrams. A comparison is also drawn between the revolutionary movements of the peasants in 1917, in 1905 and during various periods since the beginning of the twentieth century.

Interesting and enlightening, chiefly on account of its statistical data and citations, as is the work under review, it leaves no doubt, however, that the whole subject is treated from a communistic viewpoint. It is the author's firm conviction that there was no other way to solve the agrarian problem, even after the fall of the Czarist régime and after the decision of the Provisional Government to place the problem before the Constituent Assembly, than to confiscate the landed estates and larger farms by means of organized and armed bands of the proletariat and poor peasants. "The Bolshevik party," he says, "was the only party which understood how to organize the peasants for the fight against the land owners, and it actually directed the movement." The protests against such confiscations and excesses as were raised in the name of "the sacred right of ownership" and law, as well as the measures to preserve order were, in the author's opinion, "reactionary and counter-revolutionary."

One of the most important achievements of the "October" (Bolshevist) revolution he sees not only in the liquidation of the landlords' estates and *kulak* (rich peasant) farms, but also in the formation of the collective and Soviet farms, run on a communistic basis, which, according to Lenin's theory, is the only way "to deliver mankind from mass-poverty." Whether this system of "socialization of the countryside" may bring the expected results remains to be seen. The experiment has been going on for more than ten years, but so far it has not been a success. It should also be pointed out that it was not the "socialization" of the countryside which formed the object of the revolutionary movement of the peasants.

What was the attitude of the other parties (Constitutional-Democrats, Mensheviks, Social-Revolutionaries) toward the agrarian problem? In a special chapter the author draws a parallel between their platforms and the Bolshevik policy. From it we learn that, with the exception of the Bolsheviks, no party supported the confiscations and jacqueries and that they all made efforts to stop the peasant excesses. They were also for the continuation of the war. That in the circumstances which

**Die Bauernbewegung in der Russischen Revolution, 1917* (The Peasants' Movement in the Russian Revolution, 1917). By S. Dubrowski. Berlin: Paul Parey, 1929.

existed in 1917 those parties had no chance against the Communist party seems a matter beyond speculation.

B's in the Dictionary of American Biography

By M. K. MUNROE

THE second volume of the monumental work* undertaken by the American Council of Learned Societies maintains the standard set by the first. It includes names in the alphabetical list from Barsotti to Brazier, and in the list of accomplishment from the artist George Bellows to the statesman James G. Blaine and the scientist Alexander Graham Bell. The book has a practically complete list of the more important B's in American history, and a very interestingly selected list of the lesser names.

Among the conspicuous articles is the life of James G. Blaine, Secretary of State under Garfield and Harrison, and Republican candidate for the Presidency against Cleveland. It is one of the most excellent of possible summaries, not only of the career of James G. Blaine, but of our national political and diplomatic history in the third quarter of the nineteenth century. Written by Carl Fish, it reviews the founding of the Republican party and the later split between Stalwarts and Half-Breeds; it goes into some detail over the scandal of the Mulligan letters and discusses the Hayes and Garfield administrations. In the diplomatic history it recounts the 1881 negotiations regarding the Clayton-Bulwer treaty, the Bering Sea controversy, and the early South American and Pan-American diplomacy—the dispute over the Venezuelan boundary, and the first Pan-American Conference in 1889.

Among the lesser names is that of such a person as Joshua Bates, for instance, who served the Boston merchant, William Gray, in the latter's London office in the early 1800's and who receives an admirable brief note written by Harold Underwood Faulkner, an authority on American economic history. Another and somewhat greater figure in early New England maritime history was Nathaniel Bowditch, whose career is admirably described, thus explaining his fame as a navigator and as a trader with the East. The life of Wil-

**Dictionary of American Biography. Vol II, Barsotti-Brazier.* Edited by Allen Johnson under the auspices of the American Council of Learned Societies. New York: Charles Scribner's Sons. 1929.



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liam Bradford is written by Samuel Eliot Morison, the author of *The Maritime History of Massachusetts*.

The Booth family and their exploits, pleasant and unpleasant, are recorded. The story of Edwin Booth includes the history of the founding of the Players Club in New York City. The lives of Henry Ward Beecher and of William Beaumont, the physician, are told. Clara Barton is one of the few prominent women included in the list, and it is perhaps a matter for regret that there are not more, although it is equally a matter for speculation whether there has been so far any large number of feminists among the B's. Albert J. Beveridge and John Spencer Bassett are among the historians of note.

The volume is one which, like its predecessor, will fill a badly needed place on the bigger reference shelves of all educational institutions. And it seems only a matter of time before its value will be immense in small private libraries.

"Why Civilization?"

By C. LUTHER FRY

DIRECTOR, BUREAU OF STANDARDS, INSTITUTE
OF SOCIAL AND RELIGIOUS RESEARCH

AMID the increasing flood of hastily written books that continues to deluge the long-suffering American public there occasionally appears a work* that is the fruit of a lifetime of thought and experience. When such a book deals with a vital subject it warrants careful and serious consideration. *Essentials of Civilization: A Study in Social Values* falls

**Essentials of Civilization*. By Thomas Jesse Jones. Henry Holt & Co., New York, 1929.

into this preferred class. The author, Dr. Thomas Jesse Jones, has distilled into less than 300 pages a social philosophy that is the outgrowth of his rich and varied life. In an all too brief autobiographical introduction he tells how from a Welsh immigrant boy he rose to his present position of educational director of the Phelps-Stokes Fund. As an inductive student of human problems Dr. Jones has undertaken sociological investigations at every cultural level, from a block study of New York City tenements to intensive surveys of "almost all African colonies south of the Sahara Desert." These researches have led the author to search for the unity beneath the innumerable diversities of social organization, and in the present volume he attempts nothing less than the task of answering the question, What is the purpose of civilization?

In the light of his studies among primitive societies Dr. Jones starts with an attack upon the sin of overspecialization. Indeed, it appears to him that this is "the real menace to a sound appreciation of what matters in life. The baffling intricacies and perplexities of the modern city seem likely to be the Tower of Babel that will confound and destroy the elements of true progress."

The failure to recognize the interdependence and importance of a few essentials explains the futility of many seemingly learned researches of the "causes and cure of civilization." Humanity has suffered from endless propaganda whose sterility is rooted in the blind disregard of the unity of society. "Knowledge has been divided into 'grotesque fragments' utterly foreign to life, both individual and social. * * * In their search for truth scientists have often overlooked the universe of which they and their researches are a part and have buried themselves in the darkness of their laboratory dungeons. Hyperspecialization is almost as dangerous to truth as sweeping generalization."

This is especially the case in any attempt to

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differentiate the basic elements of civilization. According to Dr. Jones, there are "four essentials of society": (1) Health and sanitation; (2) Appreciation and use of environment, material and human; (3) Effective development of the home and the household, the chief factor for the transfer of racial heritage; (4) The process of re-creation, physical, mental and spiritual. These four "essentials," as Dr. Jones himself clearly recognizes, are large, comprehensive units, each including many smaller ones. They have been determined partly through logical analysis and partly through experience. Appreciation of the environment might have been divided into two essentials—the control of material resources and relationships to neighbors—but "long experience and a deeper logic" led Dr. Jones to combine them into one. The vital importance of religion led many to urge it as a fifth essential, but because of the unity of the re-creative process Dr. Jones came to the conclusion it should be considered as a single factor.

Because society functions through organizations—governmental, economic, educational, religious, philanthropic and artistic—it is necessary to show the relation of the "four essentials" to these agencies. The main body of the book is therefore devoted to explaining these basic relations as they have been actually realized and as they should be realized by each type of organization.

The book closes with a chapter on "the unity of civilization," which states that this subject is the paramount research problem of modern society and urges that "the trends toward unity, the elements making for cohesiveness shall be consciously recognized and encouraged." Dr. Jones holds that this unity can be realized through the recognition of the "four essentials" as the common objectives of the six great types of social organizations and comes to the following conclusion that:

"The answer to the leading question as to 'Why Civilization?' is, therefore, to be found neither in the piling up of power, the ingenuity of machinery and the efficiencies of organization; nor in the abstractions of philosophy and of passive faith in the beautiful, the good and the divine. Civilization is justified only as it combines faith and works. Modern civilization is now sought throughout the world not only because it brings physical comfort, freedom from precarious dependence on daily or seasonal supplies of food and larger controls of nature; it is also welcomed because it brings a truer conception of human values and because the man further down has a better chance for life and for the fullness of life."

Even this inadequate outline of the author's main thesis makes it clear that the book discusses questions of interest to any one who deals with social problems.

Encyclopedia of Labor Movement

Edited by H. B. LEES-SMITH, M.A., D.SC.

Foreword by J. RAMSAY MACDONALD, LL.D.,

Prime Minister of Great Britain

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Brief Book Reviews

ARMENIA AND THE NEAR EAST. By Fridtjof Nansen. New York: Duffield & Co., 1928. \$3.

Now sixty-eight years old, Fridtjof Nansen, Norwegian scholar, scientist, explorer and humanitarian, is probably one of the best-loved men in Europe. The outstanding figure in administering European relief since the war, he should have many tragic stories to tell, and in this, his latest book, he describes his expedition to Armenia, as the head of a commission to investigate the problem of rehabilitating Armenian refugees. From this tour of observation Dr. Nansen brought back a project which was submitted to the League of Nations for action. It provided for reclamation, irrigation and cultivation of new land, which would give homes and means of livelihood to the now destitute refugees. Dr. Nansen closes with a bitter denunciation of the Allied Governments which have repudiated the promises they made to the Armenian people during the war. But this was only natural, he concludes, since Armenia "was only a massacre but gifted little nation, with no oil fields or gold mines."

GOVERNMENT OWNERSHIP AND OPERATION OF RAILROADS. By Walter M. W. Splawn. New York: Macmillan, 1928. \$5.

The author of this treatise, a professor of economics at the University of Texas, offers a very sound reason for undertaking a study of government ownership of railroads at a time when there is no popular agitation on that subject: "When there is agitation, campaigning, excitement, and when all sorts of people are writing and talking with animation and partisanship, it is next to impossible for one to be heard who would speak dispassionately and address his remarks to reason." Carrying out his purpose, Professor Splawn does speak dispassionately, marshaling a great many facts and presenting them with the minimum of interpretation. The main body of the book is devoted to a survey of the management of railroads by governments and private enterprise in all parts of the world, with a hundred or so pages at the end dealing with the problem in the United States. As the net result of the inquiry into public and private ownership in the United States Professor Splawn can see no reason for changing to government ownership and operation without guarantees of greatly improved service. These the author does not consider forthcoming.

CARDINAL MERCIER. By Monsignor A. Laveille. New York: The Century Company, 1928. \$2.50.

To any one who saw Cardinal Mercier on his post-war visit to the United States this must be a very moving book. It is written by a staunch friend of Cardinal Mercier's and is therefore a long and sincere paean of praise of that great man, but it is none the less a simply told story of his life and an appealing one. Although it is to be hoped that in time a really adequate biography of the Belgian Cardinal will be written, this brief book by Mgr. Laveille fills a very empty gap. It is a matter for regret that the author devotes so much space to the Cardinal's pre-war life and his scholastic attainments, and so little to his war activity, which was of necessity the most spectacular period of his career, and it is also a matter for regret that no mention whatever is

made of the Cardinal's contribution to the Louvain Library dispute; but for all that the book is an interesting and straightforward account of all the thoughts and facts that made Cardinal Mercier a great and touching figure. The author speaks of the Cardinal during the war: "Cardinal Mercier was no longer the soul of Belgium merely: he was becoming a symbol of humanity at large in its loftiest, noblest, most resplendent qualities." The asceticism which had made Cardinal Mercier a great intellectual now made him a great warrior in a cause which he believed with all his ardent faith must be victorious. If now one is inlaid somewhat to discredit intense anti-German feeling, one must none the less pay tribute to Cardinal Mercier's intense sincerity.

Recent Important Books

By JAMES THAYER GEROULD

LIBRARIAN, PRINCETON UNIVERSITY

CHARTERIS, JOHN. *Field Marshal Earl Haig*. New York: Scribner, 1929. \$6.

After a brief review of Haig's earlier career in India and Africa, General Charteris deals at length with his commands during the World War.

CHASE, STUART. *Men and Machines*. New York: Macmillan, 1929. \$2.

One of the authors of *Your Money's Worth* attempts to estimate the tendencies of our machine age. An article on the subject by Mr. Chase appears elsewhere in this magazine.

COLE, G. D. H. *The Next Ten Years in British Social and Political Policy*. London: Macmillan, 1929. 15 shillings.

A leading member of the British Labor party in a thoughtful discussion of future British policy and its incorporation in a party program.

CRAMER, L. W. *The Diplomatic Background of the World War*. New York: Columbia University, 1929. \$2.60.

A useful summary of the present state of the evidence regarding the origins of the World War. Based considerably on S. B. Fay's work on war origins.

CROWTHER, SAMUEL. *The Romance and Rise of*

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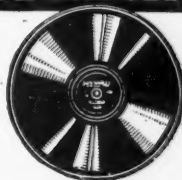
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the American Tropics. Garden City: Doubleday, 1929. \$5.

A popular account of our economic conquest of the countries about the Caribbean.

HARPER, SAMUEL NORTHROP. *Civic Training in Soviet Russia*. Chicago: University of Chicago Press, 1929. \$3.

An unbiased account of the efforts of the Soviet Government to train the youth in its conception of citizenship.

HERRING, HARRIET L. *Welfare Work in Mill Villages*. Chapel Hill: University of North Carolina Press, 1929. \$5.

A descriptive account of the attempts of Southern textile manufacturers to improve the living conditions of their workers. Their system is paternalistic rather than cooperative.

HILL, NORMAN L. *The Public International Conference: Its Function, Organization and Procedure*. Stanford University Press, 1929. \$3.

The extensive development of international interrelations has made the International Conference an organ of increasing importance. This study of their history and functions is designed to explain the part that they are playing in world politics.

HULBERT, ARCHER BUTLER. *Frontiers: The Genius of American Nationality*. Boston: Little, Brown, 1929. \$3.

American civilization has developed because it has continually striven to enlarge its "frontiers," economic as well as political and geographical. Its future depends on our capacity to continue to enlarge those that are spiritual and economic.

KELSO, ROBERT W. *Poverty*. New York: Longmans, 1929. \$2.

An attempt to define poverty and to estimate its extent, to analyze its causes and to discuss proposed remedies.

LAUCK, W. JETT. *The New Industrial Revolution and Wages*. New York: Funk & Wagnalls, 1929. \$2.

"A survey of the radical changes in American theory and practice which have come in since the World War and created the present era of prosperity."

LORWIN, LEWIS L. *Labor and Internationalism*. New York: Macmillan, 1929. \$3.

A comprehensive and systematic account of the international labor movement, free from propaganda or partisan bias. Prepared under the auspices of the Institute of Economics, it is an important book for those who wish to understand what the labor movement is rather than what Right or Left would have it be.

MACMANUS, THEODORE F., and BEASLEY, NORMAN. *Men, Money and Motors, the Drama of the Automobile*. New York: Harper, 1929. \$3.

An enthusiastic history of the automobile industry and of the part that it has played in our present prosperity.

MARTIN, CHARLES E. *The Politics of Peace*. Stanford University Press, 1929. \$4.

A study of those factors in modern political organization which, if properly and intelligently developed, will aid in the establishment of world peace.

PHILLIPS, ULRICH BONNELL. *Life and Labor in the Old South*. Boston: Little, Brown, 1929. \$4.

The best book thus far published on the social and economic history of the South before the Civil War.

PRESIDENT'S CONFERENCE ON UNEMPLOYMENT. *Recent Economic Changes in the United States*. Report of the Committee on Recent Economic Changes of the President's Conference on Unemployment. Herbert Hoover, Chairman. New York: McGraw-Hill, 1929. 2 vols. \$7.50.

The report of one of the three national surveys provided for by the conference in 1921. It is by far the most searching examination of our economic development that has thus far been made.

RALSTON, JACKSON HARVEY. *International Arbitration From Athens to Locarno*. Stanford University Press, 1929. \$5.

The implications of the Kellogg Peace Pact make this new study of arbitration peculiarly timely.

RHEINBACH, ROCHUS VON. *Stresemann, the Man and the Statesman*. Translated by Cyrus Brooks and Hans Herzl. New York: Appleton, 1929. \$3.

The life of one of the leading builders of present-day Europe, a statesman whose vision and diplomatic ability have contributed very largely to the restoration of peace.

RIPPY, J. FRED. *Rivalry of Great Britain and the United States Over Latin America, 1898-1929*. Baltimore: Johns Hopkins University, 1929. \$2.75.

The historical background of the Monroe Doctrine and the early history of our foreign commerce.

RUEHLE, OTTO. *Karl Marx: His Life and Work*. Translated by Eden and Cedar Paul. New York: Viking, 1929. \$5.

A new life of the man who possibly more than any one else of his century has influenced, for better or worse, the course of history.

SHIELDS, B. F. *The Evolution of Industrial Organization*. London: Pitman, 1928. 10 shillings 6 pence.

Discusses combinations, management, wage systems, vocational guidance, industrial education and welfare work.

SOHLMAN, RAGNAR, and SCHUECK, H. *Nobel: Dynamite and Peace*. Translated by Brian and Beatrix Lunn. New York: Cosmopolitan, 1929. \$5.

The life of the man who was at the same time an inventor and manufacturer of high explosives and a pronounced pacifist, the founder of the Nobel prizes.

STIMSON, FREDERICK JESUP. *The Western Way: The Accomplishments and Future of Modern Democracy*. New York: Scribner, 1921. \$3.50.

A thoughtful book, by an accomplished publicist and lawyer, in examination of the purposes and results of our democracy. Fully recognizing its defects, he believes that it is still our "most hopeful teacher."

VAUCAIRE, MICHEL. *Bolivar the Liberator*. Translated by Margaret Reed. Boston: Houghton, Mifflin, 1929. \$3.50.

A vivid narrative of the leader through whose energy and resourcefulness South America was emancipated from Spanish rule.

CURRENT HISTORY for August

The Pope's incisive and vigorous denunciation of Mussolini's views on the Catholic Church will be printed *in full* (official English text).

Major General Henry T. Allen, the distinguished American officer who was with Marshal Foch during the war and later was in command of the American forces in the Rhineland, contributes a critical analysis of the military achievements of the late Commander-in-Chief of the Allied armies. It is a calm study, not a panegyric. Major General Allen does not rank the deceased with the greatest strategists of history; he broadly hints at matters relating to the disposition of American forces in France which will stimulate curiosity. He studies the five decisive battles of the war as an expert.

Dr. L. F. Rushbrook Williams, Foreign Minister of the Indian Native State Patiala, will have an illuminating article entitled "The Riddle of India," which clears away general misunderstanding concerning the real problem.

Other articles of equal importance.

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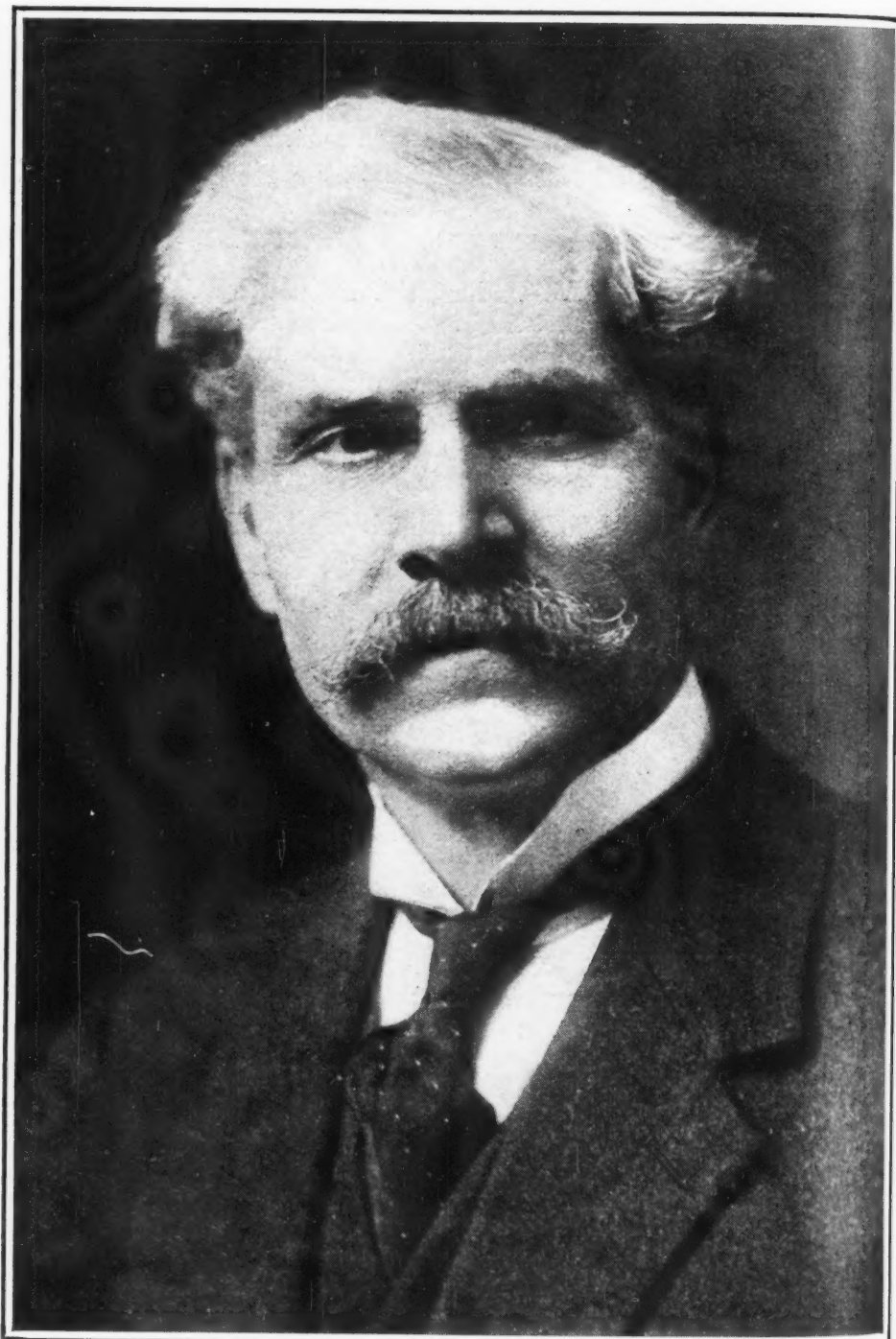
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Current HISTORY

The Italian-Vatican Agreement

[Italy and the Holy See agreed to a Political Treaty, Concordat and Financial Agreement which were, on Feb. 11, 1929, signed by Premier Mussolini and the Papal Secretary of State, subsequently adopted by the Italian Parliament and, on May 27, signed by the King. The full text of these documents appearing on pages 552-566 may be regarded as official, the translation having been made for CURRENT HISTORY by the National Catholic Welfare Conference. Two interpretations from opposite points of view are given below, one by Mr. William F. Montavon, director of the legal department of the National Catholic Welfare Conference, which may be accepted as the official American Catholic construction; the other by Mr. Charles C. Marshall, a distinguished American attorney and a recognized Protestant authority on the question. Pope Pius XI issued a statement on June 5, 1929, vigorously attacking Premier Mussolini's interpretation of the agreement before the Italian Parliament and denouncing his declarations as "heretical." The Pope gave an interpretation on the question of education and other points directly contrary to Mussolini's, broadly hinting that the Concordat must stand or fall by the Papal interpretation. The text of the Pope's protest will be printed in August CURRENT HISTORY.]

I—The Catholic View of Papacy's New Status

By WILLIAM F. MONTAVON

THE Political Treaty and Concordat between Italy and the Holy See bring to a happy conclusion a controversy which has waged through two generations. The Treaty restores to the Holy See liberty and independence, while the Concordat regulates the relations of Church and State in Italy. These documents embody con-

clusions reached after years of debate concerning the status of the Church in relation with the modern State. All three doctrines comprising the settlement are important.

The financial agreement is an act of justice. The actual amount of the obligation accepted, out of proportion as it is to the value of the properties which, over a period of years,

passed without remuneration from the ownership of the Church to that of the Italian State, notably less than even the amount stated in the law of Guarantees, has an importance moral rather than material, and is evidence of the generous spirit by which the Holy See was actuated in the negotiations. Cash payments to be made under the agreement are such as not necessarily to disturb Italian finances; an important balance is to be paid in securities of the Italian Government. The securities accepted are regularly negotiable paper quoted on the exchange, and there is no justification for the thought expressed by some critics that their acceptance constitutes an improper bond between the Holy See and the Italian State.

SIGNIFICANCE OF CONCORDAT

The Concordat defines and regulates the position of the Church in Italy. As such it has international significance as evidence of the probable lines to be followed in future agreements of a like nature adopted under similar conditions. Important among these conditions is the fact that the Italian nation is overwhelmingly Catholic, and lives under a constitution which makes the Catholic religion of the people "the sole religion of the state" and under legislation in which the teaching of Christian Doctrine according to Catholic tradition is considered the foundation and capstone of all education. Another important condition accounting for administrative provisions found in the Concordat is the fact that the Italian State exercising dominion over Church endowments, exercises a certain jurisdiction in the formation of Church budgets.

The problem which is met in the Concordat is that of providing free-

dom of action for both the Church and State, in their respective spheres, without disturbing the intimacy of the relations which necessarily exist between a State and the official religion of the State. The Concordat repudiates the doctrine of Cavour misleadingly stated in the formula "a free Church in a free State," and in doing this it does not set up "a state within a state," nor reduce the Church, which administers the State religion, to a status of inferiority or dependence under the State, nor does it interfere with liberty of conscience and of worship as accepted and defined in the liberal constitutions and laws of modern States. Accepting the fact of a State religion, it skillfully avoids the creation of a State Church, and thus shows the way to the solution of the problem which confronts several of the nations of Europe and America.

The document of greatest interest internationally is, of course, the Treaty. By this two closely related facts are established: the juridical personality of the Holy See and the equality of that personality with every other like personality. It establishes as of right as well as of fact the sovereignty of the Holy See. In this it repudiates the doctrine underlying the law of Guarantees. Cavour was not willing or not able to comprehend the distinction between the Church and religion. He never freed himself from the methods of theocracy. To him Church and State could not function independently; not even the least fraction of seized territory could be ceded to the Holy See as a basis for its independence; their spheres, if not identical, overlapped at so many points that what in theory seemed independence, in practice would be confusion; the one must dominate

the other, and by the law of Guarantees Cavour sought to dominate the Church. The Holy See could not accept the position of subordination to which the Church would have been reduced. Her mission lies in the sphere of the spirit, over which the Civil State has no jurisdiction, and extends to all nations and States. The head of the Church cannot accept such a status of subjection under a civil power as that proposed by Cavour.

Oneness and Universality are essential characteristics of the Catholic Church. These characteristics extend not alone to matters of creed and dogma; they extend as well to matters of worship and administration. To subject the supreme head of the Church to any power whose sovereignty is subject to the limitations of territory and of special interests and projects in conflict with the interests and projects of other powers, would destroy the oneness and universality which are of the essential character of the Church.

In an age which repudiates war as an instrument of international policy, in which international co-operation seems bound to occupy the place so recently occupied by international rivalry, and the orderly processes of international justice to be universally respected as the best guarantee of rights between sovereign powers, the extent and wealth of the territory ruled by a sovereign lose much of their importance. In the case of the Holy See, territory might easily constitute a liability and not an asset in the exercise of spiritual sovereignty.

No element entering into the Roman question has been so generally misstated as the demand for some territory within which the sovereign authority of the Holy See would alone be recognized. That

demand, referred to as the demand for temporal power, has been denounced as indicating a purpose to set up a theocracy out of tune with our modern world; it has been as zealously defended as the one concession without which no solution was possible. Territory is more than the symbol of sovereignty. Man cannot conceive of sovereignty without associating it with territory; nor can man conceive of complete and perfect independence of action without associating that independence with sovereignty. The greater or less expanse of territory does not enter into the essence of sovereignty, but the fact of territory does enter into the fact of sovereignty as understood today.

The acceptance by the Holy See of a territory having an actual extent of barely 160 acres is an act of generosity which reduces to absurdity the position of extremists among both the opponents and the advocates of "temporal power." It is an act of patriotic generosity which does honor to the Holy See and strengthens the united Italian State; it is evidence of the faith of the Holy See in the supernatural nature of the Church and her mission, and it is a tribute to the generous as well as loyal support which the Holy See at all times has received from the children of the Church.

INTERNATIONAL STATUS

The fact of the sovereignty of the Holy See having thus been recognized in documents of a solemn international character, there at once arises the question, What are to be the effects of this act? Certainly they will not affect in any essential manner the position of the Holy See within the Church. The authority of the Sovereign Pontiffs, accepted and supported by the loyalty of

Catholics in all parts of the world, was in no manner affected by the attempts of an anti-clerical State to reduce the Holy See to subjection. It will not be affected by the step that has been taken.

There remains, however, the fact that there has been added to the family of sovereignties a new member. How will she be received? The answer is already in evidence. The Holy See, even before the Treaty, was recognized as a sovereign, equal in rank with themselves, by a large number of States. The diplomatic corps accredited to the Vatican is already an important body. Its interest is not alone in problems of a higher order, problems of morality, of conscience, of culture. The Catholic Church differs from other Churches in being an organic body world wide in extent presided over by a central administrative head, the Holy See. Governments of non-Catholic as well as of Catholic nations, interested in the spiritual welfare of their citizens, have found it useful, even necessary, to be in direct relation with the supreme head of the Church.

With the new freedom which will flow from the Treaty and the openly accepted sovereignty of the Holy See, it requires no flight of fancy to vision in Vatican City a diplomatic corps, composed of men not immersed in the intrigues and bargainings of a materialistic world, whose activities will centre around the higher interests of the soul and be devoted to the promotion of international peace, of justice, of the well-being of man based on international cooperation and not on international rivalry.

Where is there to be found an atmosphere in which the spirit of conciliation between nations will thrive as it will in the atmosphere

of Vatican City? In the perfect independence that comes from sovereignty, with no conflicting currents of a local character, political, economic, or social, to distract and divert the minds of men, Vatican City presents itself without peer as a place where controversies may be brought with confidence that here the disputants will be free in their discussion, able to find in the Holy Father a friend worthy of their trust, eminently fitted to reconcile divergent views and aid them in the just solution of their differences.

UNCHANGED STATUS OF RELIGION

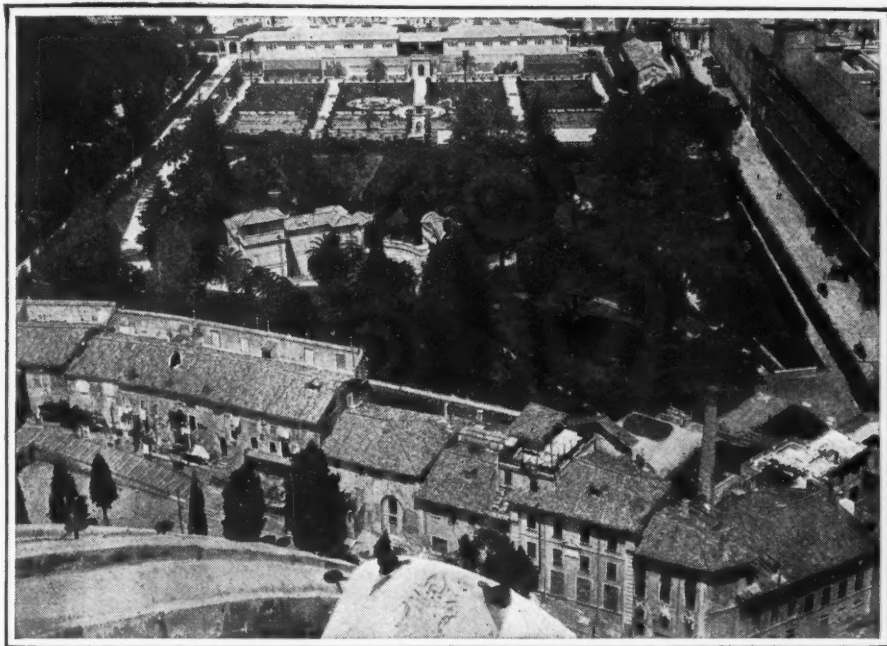
In the public discussion sight has too often been lost of the fact that by the settlement that has been ratified the status of religion under the law of Italy has not been changed.

The Italian State has abdicated none of its sovereignty. No new power, extending to all inhabitants of Italy, has been given to the Church. What is most significant and of greatest importance is the fact that the terms of the settlement give convincing evidence that hostility and distrust as a basis for relations between Church and State in Italy have been discarded. The negotiations leading up to the settlement, the documents themselves and the public statements made by Premier Mussolini and by spokesmen for the Holy See, all are evidence of the spirit of good will and wholehearted cooperation which, in the future, are to be the basis of those relations. In a spirit of conciliation, provisions, which through two generations have been embodied in the laws of Italy by political powers hostile to the Church, have been amended; disabilities imposed on religious associations have been removed.

The anti-clerical spirit of Italian legislation was perhaps most clearly

embodied in the laws governing marriage. Refusing to recognize juridical personality in the Church, the law refused to concede civil validity to marriages solemnized before ecclesiastical authorities. To have civil effect every marriage was required to be solemnized before the civil au-

civil registry. This is practically identical with what we are accustomed to in the United States. No exclusive jurisdiction over marriage, no control over marriage as a civil contract is given to the Church. The Concordat in no sense affects the status of non-Catholic religious



Burton Holmes, from Ewing Galloway

The gardens of the Vatican

thorities. Some Italian Catholics, rejecting this provision of the law, refused to accept the jurisdiction of the civil authorities over marriage. The consequence was serious irregularity in the civil status of the married parties and of their offspring.

To remove the confusion, the injustices and even the immoralities, resulting logically from this situation, the Concordat grants to Church marriages the same validity as the law grants to marriages solemnized before the civil authorities, requiring only that steps be taken properly to record Church marriages in the

bodies in Italy, does not abolish civil marriage, nor does the State waive its authority to legislate in matters affecting the civil status of the members of the family.

Under Italian law there is no divorce, as we know it, with the right of divorced parties to remarry. The Italian law, receiving its inspiration from canon law, provides for separation without the right to remarry and for the annulment of a marriage proved to be suffering from some essential defect by which the marriage from the first had no validity. The parties to such a union are free

to remarry when after due process the nullity of the union has been pronounced by competent authority.

The Concordat formally accepts the canon law with regard to cases of this kind where the parties are Catholic and gives to ecclesiastical courts jurisdiction as the trial courts in which action brought by Catholic parties may be heard. Trials held in the ecclesiastical courts under this grant of power are subject to revision in the civil courts with "regard to the competency of the judge, the summons and the legitimate representation or contumacy of the parties," and action of the civil court of appeals is required to give civil effect to the decree of the ecclesiastical court. Action brought by parties who are not by canon law under the jurisdiction of the ecclesiastical courts remains within the competency of the civil authorities.

The State does not abdicate its right to provide for and administer education. Primary schools are not mentioned in the Concordat. The fact that the "State considers the teaching of Christian doctrine, according to the form handed down by Catholic tradition, as the foundation and capstone of education" is stated, and the religious instruction now given in public elementary schools is to be "further developed in the secondary schools according to a program to be agreed upon by the Holy See and the State." Religious teachers and the textbooks used in religious instruction are to be approved by ecclesiastical authority. The State does not abdicate its authority over the school. The internal organization, attendance, including attendance on religious instruction, the curriculum, all secular instruction, remain wholly in the hands of the civil authorities. Legislation and

official regulation affecting private educational enterprises pertain to the civil authority. Legislation already enacted or proposed under the Concordat amply protects the right of non-Catholic parents to supervise and control the religious education of their children.

The Concordat, recognizing the intimate relations between ecclesiastical and civil authority, provides for the revision of the diocesan boundaries in order to make them correspond with the boundaries of the provinces. In the United States the diocesan organization of the country has developed for the most part with little regard for the boundaries of political subdivisions.

The spirit of Italian nationalism finds expression in the Concordat. It is provided that no part of the national territory will be in the jurisdiction of a Bishop whose see is subject to the sovereignty of another State. This has doubtless special reference to territories annexed as a result of the war. Ecclesiastics who are not Italians may not be appointed to Italian benefices. Bishops and rectors of parishes must speak the Italian language. The Italian State renounces the prerogative of royal patronage, but newly appointed Bishops must not be objectionable to the government from a political standpoint and must take an oath of "loyalty to the Italian State" and to "the King and the government."

Of special interest to religious communities in the United States is the provision in Article 29 of the Concordat whereby Italy recognizes "the legal personality of religious associations, either with or without vows." Religious communities whose activities and organization are international maintain at Rome either their mother house or an office un-

der a procurator general. The juridical personality of these establishments and their right to hold property within the limitations set by the civil law are clearly established, thus removing the sources of confusion and annoyance to which they have at times been subject.

By guaranteeing to the Holy See complete liberty of intercourse with the dignitaries of the Church in

every part of the world, the settlement makes impossible the vexations of former years and facilitates the international functions of the Supreme Pontiff. Above all, the Holy See, upholding the rights and prerogatives of civil authority and the responsibilities of Catholics to civil authority, is restored to its pre-eminent position of dignity and influence in the sphere of religion.

II—Pact Seen As a Blow to Religious Freedom

By CHARLES C. MARSHALL

SINCE the promulgation of the Italian-Vatican Pact the public mind has seemed obsessed with the notion that there is a restoration to the Pope of his former temporal power over an extensive territory, and that such temporal power is the important consideration in the situation. This obsession has led to great confusion in public discussion.

The temporal power as granted to the Pope in Vatican City is quantitatively insignificant, covering only 160 acres of land and 300 or 400 people. It has significance only in its relation to the age-long, world-wide claim of Pontifical, moral, spiritual or religious sovereignty over all the Roman Catholics in the world, their obedience to which in matters belonging to morals is compulsory as an integral part of their religious faith under the penalty of damnation. (Cf. the Decrees of the Vatican Council of 1870—*Pastor Aeternus*—as confirmed by Pope Pius XI in the Encyclical *Mortalium Animos*, Jan. 6, 1928.) The territorial sovereignty over Vatican City enables the Pope technically to claim that in addition to being such Pontifical or re-

ligious sovereign he is also a territorial prince or sovereign, just as is, for example, the Prince of Monaco, the Duc de Luxembourg or the King of England. Thus Dr. Bernardini, Professor of Canon Law, Catholic University of America, declares that the result of Vatican City is "to solve the question whether the Holy See is a plenary subject of international right, in an affirmative manner. Up to now this was answered negatively by the greater part, and the only serious objection was that the Pope lacked his own territory and his subjects. * * * With this objection dissipated, the international juridical personality of the Holy See is undeniable, with full liberty for every nation that is concerned, to enter upon diplomatic relations with the same."

But it must be remembered that without the creation of the Vatican City the Pope enjoyed extraterritoriality, which is akin to sovereignty, in respect to about all the territory in that city; he appointed and received Ambassadors to any extent; although claiming to represent the Prince of Peace, he had his halberdiers and his riflemen surrounding the Papal throne; though claiming

to represent Him whose kingdom was not of this world he created, as Italy agrees he may continue to create (Concordat, Article 42), Papal Dukes, Marquises, Counts and Countesses. It is difficult, therefore, to see what additional circumstance of earthly power he can enjoy as King of Vatican City. But, in harmony with Dr. Bernardini's views, it is urged in some quarters that as territorial sovereign over Vatican City the Pope's right to participation in the settlement of international questions will be greatly enhanced, and those questions advantaged by their discussion and determination in the independent atmosphere of that place. But this involves some grave questions.

We may concede that it would all be most agreeable for the world's 350,000,000 Roman Catholics, but it would be a lamentable surrender of the rights of those who are not Roman Catholics, and who repudiate with a vehemence born of centuries of disaster and suffering the claim of the Roman Catholic Church that the Pope is in Divine Right the Vicar of Christ and the Vicegerent of God over men. No citizen of any State who is not a Roman Catholic can, without the destruction of his rights, assent to sovereignty of any kind in the Roman Catholic Church, or its Supreme Pontiff, in national or in international relations, so long as that Church supports Pope Pius XI in his express claim that no one is a member of that Church unless he accepts the supreme authority of the Pope, and, again, that that Church alone possesses the true religion, and he who does not belong to it becomes a stranger to all hope of life and salvation. (Cf. *Encyclical Mortalium Animos*, Jan. 6, 1928.) The danger of assenting to a sovereignty, religious or temporal, nation-

al or international, in a power based on such principles does not need argument before the American public.

THE INTERNATIONAL QUESTION

The pact consists of the Political Treaty, the Concordat and the Financial Agreement.

The preamble of the treaty declares that the purpose is to assure to the Holy See (not to the Vatican City, but to the world-wide Pontifical or religious sovereignty in Divine Right of the Pope) absolute and visible independence, and to guarantee to it "undisputed sovereignty in the field of international relations." Such a guarantee is a radical adventure in international relations by Italy and the Roman Church, and the more so, as they act independently of other political powers. In Article 2 of the treaty, Italy expressly reaffirms its recognition of "the sovereignty of the Holy See in the field of international relations as an attribute that pertains to the very nature of the Holy See, in conformity with its traditions and with the demands of its mission in the world." The world well knows from many of the darkest pages of history what are the "traditions" and what are the "demands" referred to.

It must be borne in mind that the Pontifical sovereignty in Divine Right is asserted over 350,000,000 Roman Catholics, who constitute a part of the citizenship of every State, and, where popular government prevails, necessarily participate, through the electoral franchise, in the sovereignty of the State. The supremacy of Papal sovereignty, under the sanction of damnation, is an integral part of the faith of Roman Catholics, the supremacy covering matters belonging to morals—education, marriage,

family relations, public worship—subjects over which every State also claims sovereign jurisdiction. There is thus a conflict of jurisdiction between the Papacy and all political States which has been—and is—one of the chief causes of discord, civic strife, and even of revolution, throughout the world. When, therefore, the Dictator of Italy—the genius of the coming Italian Empire—stands with the Pope in making august guarantees and pronouncements of Papal sovereignty in the field of international relations, the apprehension of all those throughout the world who are not Roman Catholics is instantly and emphatically renewed.

In the treaty, Article 24, the Holy See expressly refers to “the sovereignty pertaining to it even in the field of international relations,” but declares that it will remain extraneous to all temporal disputes between nations, and to international congresses, unless the contending parties consent, thus reaffirming its sovereign right to intervene but agreeing out of favor and expediency not so to do. There follows an immediate reservation of “the right in every case to exercise its moral and spiritual power.” As the exercise of that power in matters belonging to morals is supported by the penalty of damnation for Roman Catholics, in case of disobedience, the essential potency of the Holy See in all international matters involving moral considerations is obvious, whether the Pope remains extraneous to international tribunals or participates therein.

RELIGIOUS LIBERTY

The treaty, Article 1, reaffirms the principle whereby the Roman Catholic religion is the sole religion of the State. This principle so ex-

pressed has existed in the Italian Constitution since 1848, but Italy in the interests of religious liberty has hitherto refused to enforce it to the satisfaction of the Pope, who, in protest, has imprisoned himself since 1870 within the Vatican. Italy now guarantees the enforcement of the Roman Catholic religion as the sole religion of the State, in accordance with provisions agreed upon between the Pope and Premier Mussolini and set forth in the articles of the Concordat. Article 1 guarantees to the Roman Catholic Church “free exercise of spiritual power, free and public exercise of worship, as well as jurisdiction in ecclesiastical matters,” in accordance with the provisions aforesaid. The result of these guarantees is to subordinate every other church and form of belief in Italy to the Roman Church. They may be tolerated out of expediency and by favor, but they cannot be free in legal right. Religious liberty is thus destroyed.

We may now refer briefly to the most important of the provisions.

LEGAL PERSONALITY

The Concordat, Article 29, provides that Italy will recognize the legal personality of Roman Catholic religious associations, that is, the right to corporate personality antecedent to the authority of the State.

It ought not to be difficult for the American public to grasp the fact that for the State to recognize the *inherent* right to juristic personality in the Roman Church, or its religious associations, cuts from under the State all right and inherent authority to protect other religious societies in the enjoyment and public practice of their faith. By the constitution of such other religious societies their right to juristic personality in the State depends on the

express assent of the State. It is not claimed as inherent. In the theory of the Roman Catholic Church its right to juristic personality in the State exists by the act of God and is, therefore, antecedent or superior to the State.

In conceding the inherent juristic personality of Roman Catholic associations Italy surrenders one of the most important bulwarks of religious liberty. It grants to Roman Catholic associations a status which, by its very grant to them, is denied to all other religious associations.

Certain provisions of the Mexican law required the registration of churches, priests, and so forth, and the right of the State to have a representative present at certain religious services. All churches excepting the Roman complied. That Church resented such supervision by the State in view of its claim to inherent juristic personality. Its resentment was logical, for compliance would have meant the surrender of its claim to supremacy in moral matters over the State, and the surrender of its right to inherent juristic personality.

THE OATH OF LOYALTY

Much satisfaction has been expressed with Article 20 of the Concordat, providing that the Roman Catholic Bishops, before taking possession of their dioceses, shall take an oath of loyalty to the King and the government. But Roman Catholic doctrine claims supremacy for the Roman Church over the State in respect to the great moral subjects covered by the Concordat. When, therefore, under Article 20, the Roman Bishops take the oath of loyalty there prescribed they, of course, take it subject to the condition of such supremacy, and the scope and force of the oath is thereby greatly

limited. On Page 43 of his book, *The State and the Church*, the Rev. Dr. John A. Ryan states that whether a particular act of the State is contrary to the moral law must be decided by some other authority or tribunal than the State itself. The solution, he says, will be sought by one man from his conscience alone, by another from the Church. On Page 46 Dr. Ryan holds that the Church, as the guardian and authoritative interpreter of the moral law, has as much right to pronounce upon the morality of political actions and relations as upon those of private societies and individuals. We submit that Dr. Ryan very clearly recognizes the limitations in Roman Catholic doctrine of the obligation of the civic oath, and fixes the limitation at the point where the alleged supremacy of the Roman Church over the State begins. No imputation of willful disregard of the civic oath can justly be made against Roman Catholics. The binding limitations of the oath are those fixed by Dr. Ryan, and those limitations must necessarily apply to the oath referred to in Article 20.

CONTROL OF MARRIAGE

The transfer, by Article 34 of the Concordat, to the Roman Church of jurisdiction over Christian marriage will rightfully be regarded by those of other churches as furthering the suppression of religious liberty in favor of the domination of the Roman Church. The transfer confirms the control by that Church of life at its fountain-head, and sweeps the subject of family relations ultimately into the jurisdiction of the Pope. The Roman Church, through the control of those relations as the State Church, must more effectually control the State, and by the constant augmentation of its members

through the working of its law of family relations must, if unimpeded, constantly increase the number of Roman Catholics at the expense of anti-Catholic minorities.

It must be borne in mind that the Pope claims jurisdiction over all baptized persons, whether Roman Catholics or not. They are in Papal claim his religious subjects, though they are rebels against authority and outlaws from the Roman Church. It is, therefore, clear that when Italy surrenders to the Pope jurisdiction over the marriages of Christians, technically he is given jurisdiction over the marriages of all who are baptized. The jurisdiction exists, though of course it cannot be exercised under modern conditions. But if the baptized Christians of other Churches, seeking matrimonial relief, voluntarily submit to the jurisdiction of the Pope, their cases will be acted on, as were those of Marlborough and Marconi, although the marriages had been solemnized by other churches. Such cases illustrate the confusion and conflict arising from the transfer of jurisdiction over marriage from the State to the Holy See.

Nor can it be overlooked that in any State where marriages of a part of the population are solemnized by a Church whose religion is the sole religion of the State, all marriages solemnized in other churches, or civilly, are necessarily disparaged, socially if not legally, with unwholesome results. It is well known that Pius IX himself declared that the marriages of Christians without the sacrament, whatever the formalities, civil and legal, may be, cannot be other than shameful and abominable concubinage. His conclusion is the more remarkable in view of the fact that, according to Roman Catholic doctrine, in the solemnization of

marriages Protestant ministers are civil officers.

Those who have dwelt in many lands, who know the statistics of illegitimacy and the covert forms of sexual vice in all countries, know that neither the Roman Church nor the State has anything to its credit in the record of the ages in bringing men and women into moral control of sex relations in conformity with the mind of Christ. Sex life in Europe in the sixteenth century, when Papal jurisdiction over marriage was absolute, presents quite as unsavory a condition as sex life in America today.

PUBLIC SCHOOL EDUCATION

Article 36 of the Concordat declares that Italy considers the teaching of Christian Doctrine, according to the form handed down by Catholic tradition, as the foundation and capstone of public education, and thereupon Italy consents to modifications in public school instruction to be agreed upon by the Pope and the State.

Whatever these modifications may be, Italy by the Concordat has committed her public school system to the teaching of Roman Catholic doctrine as fundamental. The Pope and the Roman Catholic majority in Italy embrace the opportunity and the public schools are, in reality, turned over to the Church, whatever provisions for non-Roman children may be permitted by the Vatican out of expediency and favor.

No more significant action could be taken by the Pope and his subjects to demonstrate to the political States of the world the Roman Catholic purpose, ideal and intent in respect to the public school in every country where the authority of the Pope and a Roman Catholic majority may obtain control, as in Italy.

It is claimed that Italy, as an independent State, may make her own law. It is suggested that other countries, like England, maintain a State religion, and that any church, if it could, would make its religion the sole religion of the State. These considerations are neither material nor relevant. Political crimes are not palliated because they are multiplied, nor justified because they are sanctioned by majorities, or by civic and religious rulers. Moreover, the results of such crimes are never confined within the boundaries of the State which perpetrates them. They reach out through all the peoples of the globe and as with a virus permeate all human society. The stream of immigration carries them along, and the doctrine taught in the public schools of Italy today may impregnate far distant States within a generation. The *Official Catholic Year Book*, published with the approbation of the Hierarchy of the United States of America, 1928, declares: "It is * * * to a very large extent to immigration that the Catholic Church owes its enormous increase in this country. * * * Up to July 1, 1924, Italians, Austrians, Hungarians, Bohemians, Slovaks and Poles probably contributed most largely, the Italians, Austrians and

Hungarians being in the lead." America would, therefore, seem to have the right to a profound interest in the doctrine that is to be the foundation and the capstone of public education in Italy.

If religious liberty depends merely on a minority of Roman Catholic votes in the State, and not on the bedrock of universal human right, then indeed is the enjoyment by every people, of that liberty, precarious. What has happened in Italy demonstrates that such liberty, to be enduring, must be based on the unchangeable sentiment and conviction of the people, and on their undivided loyalty to the ideal, within the civil State, of equality of right in matters spiritual as well as temporal. When a part of the electorate is under allegiance to a religious sovereignty, extraneous to the State, asserting its claim to their obedience in matters belonging to morals, then is the moral institution of religious liberty menaced and the natural provision of equality of right in human society frustrated. With the growth in any country of a Roman Catholic minority into a majority those inestimable gifts of God may go the grievous way they have now gone in the land of Dante and Cavour.

III—Full Text of the Documents

THE POLITICAL TREATY

Whereas the Holy See and Italy have both recognized the desirability of eliminating every cause of disagreement existing between them by coming to a definite understanding of their mutual relations which shall be in accordance with justice and compatible with the dignity of the two High Contracting Parties and which, by assuring permanently to the Holy See a status of fact and of right that shall

guarantee to it absolute independence in the exercise of its mission in the world, allows the said Holy See to acknowledge as settled definitively and irrevocably the "Roman Question" which arose in 1870 with the annexation of Rome to the Kingdom of Italy under the dynasty of the House of Savoy;

And whereas, for the purpose of assuring to the Holy See absolute and visible

independence and of guaranteeing to it undisputed sovereignty in the field of international relations also, it has been deemed necessary to establish the City of the Vatican, recognizing, so far as the said City is concerned, complete ownership, exclusive and absolute power and sovereign jurisdiction on the part of the Holy See;

His Holiness, the Sovereign Pontiff, Pius XI, and His Majesty, Victor Emmanuel III, King of Italy, have resolved to make a treaty, appointing for this purpose two Plenipotentiaries, namely, on the part of His Holiness, His Eminence, Cardinal Pietro Gasparri, His Secretary of State, and on the part of His Majesty, His Excellency, Signor Cavaliere Benito Mussolini, Prime Minister and Leader of the Government. These Plenipotentiaries, having exchanged their respective credentials, which were found to be duly and properly executed, have agreed to the following articles:

1. Italy recognizes and reaffirms the principle set forth in Article I of the Constitution of the Kingdom of Italy of March 4, 1848, whereby the Roman Catholic and Apostolic Religion is the sole religion of the State.

2. Italy recognizes the sovereignty of the Holy See in the field of international relations as an attribute that pertains to the very nature of the Holy See, in conformity with its traditions and with the demands of its mission in the world.

CREATION OF VATICAN CITY

3. Italy recognizes full possession and exclusive and absolute power and sovereign jurisdiction of the Holy See over the Vatican, as at present constituted, with all its appurtenances and endowments. Thus the Vatican City is established for the special purposes and with the provisions which are laid down in the present Treaty. The confines of said Vatican City are indicated on a plan which constitutes the first appendix to the present Treaty, of which it forms an integral part.*

*It embraces the territory lying within the area bounded by the Vatican walls, the Via di Porta Angelica, the Piazza di San Pietro, the Via and Piazza della Sagraestia and the Via Teutonica.

It is agreed, however, that the Piazza di San Pietro (St. Peter's Square), although forming part of Vatican City, will continue ordinarily to be open to the public and subject to the police powers of the Italian authorities. The jurisdiction of these authorities shall not extend beyond the foot of the steps leading to the Basilica, although the latter continues to serve for public worship. The police, therefore, will refrain from ascending the steps and entering the Basilica unless they are requested by competent authority to intervene.

When the Holy See, in connection with special functions, shall deem it necessary to close St. Peter's Square to the public temporarily, the Italian police, unless requested by the proper authorities to remain, shall withdraw beyond the outer limits of the Bernini colonnade and their prolongation.

4. The sovereignty and exclusive jurisdiction which Italy recognizes on the part of the Holy See with regard to Vatican City implies that there cannot be any interference whatsoever on the part of the Italian Government, and that within the said City there shall be no other authority than that of the Holy See.

5. For the execution of that which is set forth in the preceding article, before the present Treaty goes into effect, the Italian Government shall see to it that the territory constituting Vatican City is made free from all liens and closed to any and all tenants in the future. The Holy See will provide for closing the approaches by inclosing the open parts, except St. Peter's Square. It is agreed, however, that regarding property therein belonging to religious institutions or organizations, the Holy See will arrange directly to determine its relations with these, the Italian State taking no part in these arrangements.

VATICAN CITY COMMUNICATIONS

6. Italy undertakes to furnish through agreement with interested organizations assurance to the Vatican City of an adequate water supply within the territory. It will also provide for communication with the Italian State Railways by constructing a railroad station within the

Vatican City at a location marked on the annexed plan,[†] as well as for the movement of the Vatican's coaches on the Italian railroads. It will provide, moreover, for the linking up, directly with other States also, of the telegraph, telephone, radio-telegraph, radio-telephone and postal services within the Vatican City. It will, besides, provide for the coordination of other public utilities.

The Italian State will furnish the above at its own expense within one year from the date the present Treaty goes into effect. The Holy See will arrange at its own expense for systematizing the present approaches to the Vatican as well as others which it may be found advisable to open in the future. Agreements will be made between the Holy See and the Italian Government for the circulation in the latter's territory of the vehicles and aircraft of the Vatican City.

7. In territory adjoining the Vatican City the Italian Government pledges itself not to allow the construction of new buildings that shall overlook the said City. Likewise, it will provide for the partial demolition of such buildings as now overlook the Vatican City, specifically those near the Porta Cavalleggeri and along the Via Aurelia and the Viale Vaticano.

In conformity with the regulations of international law, aircraft of any kind are prohibited from flying over Vatican territory. In the Piazza Rusticucci and in the zones adjacent to the colonnade, to which the ex-territoriality mentioned in Article 15 does not extend, any building or street changes in which the Vatican City might be interested shall be made by mutual agreement.

INVOLABILITY OF THE POPE'S PERSON

8. Italy, considering the person of the Sovereign Pontiff as sacred and inviolable, declares attempts against said person, as well as any incitement to commit such, punishable by the same penalties as attempts against the person of the King or incitement to commit the same. Public offenses or insults committed in Italian

territory against the person of the Sovereign Pontiff, whether by deed or by spoken or written word, are punishable by the same penalties as similar offenses and injuries against the person of the King.

9. In conformity with the provision of international law, all persons having a fixed residence in Vatican City are subject to the sovereignty of the Holy See. Such residence is not lost by the simple fact of temporary domicile elsewhere unless such domicile entails the giving up of one's habitation in Vatican City or is accompanied by other circumstances which make it clear that the individual concerned has abandoned his residence therein.

Ceasing to be subject to the sovereignty of the Holy See, the persons mentioned in the preceding paragraph, when, according to the provisions of Italian Law, and independently of the circumstances actually provided for above, they are not to be regarded as enjoying the privileges of citizenship elsewhere, shall in Italy be considered as Italian citizens without further investigation.

The same persons, while subject to the sovereignty of the Holy See, will be subject in Italian territory—even in matters in which personal law must be observed (when these are not regulated by provisions of the Holy See)—to Italian legislation; and in cases where they are believed to be citizens of other countries, they shall be subject to the laws of the State to which they belong.

EXEMPTION FROM MILITARY SERVICE

10. Dignitaries of the Church and persons attached to the Pontifical Court, who will be designated in a list to be agreed upon by the High Contracting Parties, even when they are not citizens of the Vatican, shall always and in every case, so far as Italy is concerned, be exempt from military service, from jury duty and from all services of a personal character. This rule will also be applied to chancery officials declared by the Holy See to be indispensable, who are permanently attached with fixed stipends to the offices of the Holy See and to the tribunals and offices which are mentioned below in Articles 13, 14, 15 and 16, and which are located outside Vatican City.

[†]That is within the Vatican walls, between Porta Pertusa and Porta Fabbrica (both walled up for many years), near the new building of the Vatican Seminary.

Such functionaries will be named in a second list, to be agreed upon as stipulated above, which will be brought up to date annually by the Holy See.

Ecclesiastics who, in the performance of the duties of their office, are occupied in the execution of the acts of the Holy See shall not be subjected on account of such execution to any hindrance, investigation or molestation on the part of the Italian authorities.

Every foreigner invested with ecclesiastical office in Rome shall enjoy the same personal guarantees as belong to Italian citizens by virtue of the laws of the Kingdom.

11. The central corporate entities of the Catholic Church are exempt from all interference on the part of the Italian State (except for the provisions of Italian law concerning the acquisitions of moral entities) and also from appropriation with regard to real estate.

RIGHTS OF DIPLOMATIC RELATIONS

12. Italy recognizes the right of the Holy See to send and to receive diplomatic representatives according to the general provisions of international law. Envoys of foreign governments to the Holy See will continue to enjoy in the Kingdom of Italy all the privileges and immunities which pertain to diplomatic agents according to international law. Their embassies or legations may still be located in Italian territory, possessing the immunity due to them according to the provisions of international law, even though their governments may not have diplomatic relations with Italy. It is understood that Italy guarantees always and in every case to allow free correspondence from all nations, including belligerents, to the Holy See and vice versa, and to permit free access of bishops from all parts of the world to the Apostolic See.

The High Contracting Parties pledge themselves to establish regular diplomatic relations with one another by the accrediting of an Italian Ambassador to the Holy See and of a Papal Nuncio to Italy, who will be dean of the diplomatic corps according to the customary provision sanctioned by the Congress of Vienna with the Act of June 9, 1815.

By reason of the recognized sovereignty, and without prejudice to what is set forth in Article 19 below, the diplomatic representatives of the Holy See and emissaries dispatched in the name of the Sovereign Pontiff enjoy in Italian territory, even in times of war, the same treatment as is due to the diplomatic representatives and secret emissaries of other foreign States according to the provisions of international law.

PROPERTIES OF THE HOLY SEE

13. Italy recognizes on the part of the Holy See full proprietary rights to the patriarchal basilicas of St. John Lateran, St. Mary Major and St. Paul, with the buildings attached to these. The State transfers to the Holy See the free control and administration of the above-named Basilica of St. Paul and also of the monastery attached thereto, turning over to the Holy See the funds corresponding to the amounts allotted annually in the budget of the Ministry of Public Instruction for said basilica. It is likewise understood that the Holy See is in freehold possession of the dependent edifice of San Callisto near Santa Maria in Trastevere.

14. Italy recognizes on the part of the Holy See full and complete ownership of the papal palace of Castel Gandolfo with all the endowments, appurtenances and attachments which are actually in the possession of said Holy See, and pledges itself to cede, likewise with full proprietary rights, the Villa Barberini, in Castel Gandolfo, with all its endowments, appurtenances and attachments, this transfer to be effected within six months from the date on which the present Treaty goes into effect.

In order to make one whole of the property sites located on the north side of the Janiculan Hill, which belong to the Congregation for the Propagation of the Faith and other ecclesiastical institutes, and which overlook the Vatican buildings, the State promises to transfer to the Holy See, or to such organizations as the Holy See shall designate, the properties in this zone belonging to the State or to any third parties. The properties belonging to the above-named Congregation and to other institutes, as well as those which are to

be transferred, are indicated on the annexed plan.

Lastly, Italy transfers to the Holy See in full and free proprietary right the ex-convent buildings in the city of Rome annexed to the Basilica of the Twelve Apostles and to the Church of Sant' Andrea della Valle and San Carlo ai Catanari together with all their annexes and dependencies. These are to be turned over free of all tenants within one year of the date the present Treaty goes into effect.

PROPERTIES OUTSIDE VATICAN CITY IMMUNE

15. The properties indicated in Article 13 and in the first and second sections of Article 14, together with the palaces of the Dataria, the Cancellaria, the Propagation of the Faith in the Piazza di Spagna, the palace of the Holy Office with its annexes, the palace of the Covertendi (at present occupied by the Congregation for the Oriental Church) in the Piazza Scossacavalli, the palace of the Vicariate and the other buildings in which the Holy See in the future may deem it necessary to establish other offices, although forming a part of the territory of the Italian State, shall enjoy the immunity guaranteed by international law to the embassies of foreign nations.

The same immunities shall apply with regard to other churches, even outside Rome, during the time that sacred functions are being celebrated in them at which the Sovereign Pontiff is present, although they are not open to the public.

16. The properties mentioned in the three preceding articles, as well as those used to house the following pontifical institutes: the Gregorian University, the Biblical Institute, the Oriental Institute, the Archaeological Institute, the Russian Seminary, the Lombard College, the two palaces of St. Apollinaris and the House of Spiritual Retreat for the clergy at Sts. John and Paul will never be subjected to liens or to appropriation for the sake of public utility without a previous agreement with the Holy See; and they shall be exempt from all taxes, whether ordinary or extraordinary, whether levied by the State or by any other entity whatsoever.

The Holy See has the power to make whatever changes it sees fit in the proper-

ties mentioned in this article and also in the three preceding articles without the necessity of obtaining authorization or consent on the part of the Italian authorities, whether State, provincial or municipal. In this matter the authorities may confidently rely on the Church to follow the high artistic traditions of which She has always boasted.

17. Contributions of whatever kind due to the Holy See from the other central organizations of the Catholic Church and from the organizations directly managed by the Holy See, even outside Rome, as also those due to dignitaries, functionaries and employes, even when not fixed, beginning with Jan. 1, 1929, shall be exempt in Italian territory from any tax whatsoever on the part of the State or of any other entity.

18. The treasures of art and science which are to be found in the Vatican City and in the Lateran Palace will remain accessible to scholars and visitors, but the Holy See is left entirely free to determine when and under what conditions these treasures shall be open to the public.

PAPAL PASSPORTS AND VISAS

19. Diplomatic representatives and envoys of the Holy See, diplomatic representatives and envoys of foreign nations to the Holy See, and Dignitaries of the Church coming from abroad directly to Vatican City, if they are provided with passports issued by the countries from which they come and visaed by papal representatives abroad, may without any other formality proceed through Italian territory to Vatican City. The same procedure will apply to these persons when, provided with a regular papal passport, they leave Vatican City for abroad.

20. Merchandise coming from abroad and consigned to Vatican City, or to institutions or offices of the Holy See which are located outside said city, shall always be admitted at any point on the Italian frontier or at any port of the Kingdom to pass through Italian territory with full exemption from custom duties and inter-communal taxes.

21. All Cardinals are entitled in Italy to such honors as are due Princes of the blood. Those resident in Rome, including

those outside Vatican City, are to all intents and purposes citizens of said Vatican City.

During a vacancy in the Papal See, Italy will take special care that there shall be no obstacle to the free access of Cardinals to the Vatican or to their passage through Italian territory and that there shall be no hindrance to or interference with their personal liberty. Italy will also take precautions that no disturbances shall occur on Italian territory in the neighborhood of the Vatican that might interfere with the sessions of the conclave. The above provisions shall apply also to conclaves which may be held outside Vatican City and to councils presided over by the Sovereign Pontiff or his legates, and include in their purview the Bishops summoned to take part in the council.

CRIMINAL JURISDICTION

22. At the request of the Holy See and on delegation of power, which may be given by the Holy See either in single cases or permanently, Italy will provide within her own territory for the punishment of crimes committed in Vatican City. When, however, an individual who has committed a crime in Vatican City absconds, taking refuge in Italian territory, he shall be dealt with forthwith according to the provisions of Italian law.

The Holy See will hand over to the Italian State individuals who have fled to Vatican City charged with acts committed on Italian territory which are considered criminal by the laws of both States. A like procedure will be followed in the case of individuals charged with crime who may have fled to one or the other of the properties declared immune in Article 15 unless those in charge of such property prefer to ask the Italian police to enter and arrest the culprit.

23. For the execution within the Kingdom of Italy of sentences pronounced by tribunals of Vatican City the regulations of international law will be applied. On the other hand, sentences and decisions pronounced by ecclesiastical authorities, which have to do with ecclesiastical or religious persons in spiritual or disciplinary matters, and which are officially communicated to the civil authorities, will have

full juridical efficacy immediately in Italy, even so far as the civil effects are concerned.

NON-INTERFERENCE IN TEMPORAL DISPUTES

24. With regard to the sovereignty pertaining to it even in the field of international relations, the Holy See declares that it wishes to remain and will remain extraneous to all temporal disputes between nations and to international congresses convoked for the settlement of such disputes unless the contending parties make a concordant appeal to its mission of peace; nevertheless it reserves the right in every case to exercise its moral and spiritual power. In consequence of this declaration, Vatican City will always and in every case be considered neutral and inviolable territory.

25. By special convention, signed jointly with the present Treaty and constituting the fourth appendix to the same, and forming an integral part thereof, provisions are made for the liquidation of the financial claims of the Holy See against Italy.

26. The Holy See maintains that with the agreements signed today adequate assurance is guaranteed as far as is necessary for the said Holy See to provide, with due liberty and independence, for the pastoral régime of the Diocese of Rome and of the Catholic Church in Italy and the world. The Holy See declares the "Roman Question" definitively and irrevocably settled and, therefore, eliminated; and recognizes the Kingdom of Italy under the dynasty of the House of Savoy with Rome as the capital of the Italian State.

Italy, in turn, recognizes the State of the Vatican City under the sovereignty of the Supreme Pontiff.

The Law of May 15, 1871, No. 214, is abrogated, as well as any other decree or decision contrary to the present Treaty.

27. The present Treaty will be submitted to the Sovereign Pontiff and to the King of Italy for ratification within four months from the date of signing and will become effective immediately on the exchange of ratification.

Rome, Feb. 11, 1929.

Signed: PIETRO CARD. GASPARRI.

Signed: BENITO MUSSOLINI.

THE CONCORDAT

Whereas, from the very beginning of the negotiations between the Holy See and Italy for the settlement of the "Roman Question," the Holy See itself proposed that the Treaty dealing with this question should be accompanied by a Concordat planned to regulate the status of Religion and of the Church in Italy, which Concordat should form a necessary complement of the Treaty; and

Whereas, the Treaty for the settlement of the "Roman Question" has been concluded and signed today;

His Holiness, the Sovereign Pontiff, Pius XI, and His Majesty, Victor Emmanuel III, King of Italy, have agreed to make a Concordat and for this purpose have appointed the same Plenipotentiaries as were named for the drawing up of the Treaty, namely, for His Holiness, His Eminence, Cardinal Pietro Gasparri, His Secretary of State, and for His Majesty, His Excellency, Signor Cavaliere Mussolini, Prime Minister and Leader of the Government. These Plenipotentiaries, having exchanged their respective credentials, which were found to be duly and properly executed, have agreed to the following articles:

1. Italy, according to the terms of Article 1 of the Treaty, guarantees to the Catholic Church free exercise of spiritual power, free and public exercise of worship, as well as jurisdiction in ecclesiastical matters, in conformity with the provisions of the present Concordat; and, where it shall be necessary for the carrying out of their spiritual ministry, grants to ecclesiastics protection on the part of its authorities.

In consideration of the sacred character of the Eternal City, episcopal see of the Sovereign Pontiff, centre of the Catholic world, and goal of pilgrimages, the Italian Government will take precautions to prevent the occurrence in Rome of everything that might be contrary to this sacred character.

2. The Holy See communicates and corresponds freely with the Bishops, the clergy and the whole Catholic world, without any interference on the part of the Italian Government. Bishops, likewise, in

everything that concerns their pastoral office, communicate and correspond freely with their clergy and with all the Faithful.

Both the Holy See and the Bishops may freely publish and post either within, or on the external portals of, buildings that are set aside for worship and offices used for the business of their ministry such instructions, ordinances, pastoral letters, diocesan bulletins and other notices concerning the spiritual direction of the Faithful as they may see fit to issue within the province of their competency. Such publications and notices and, in general, all decrees and documents dealing with the spiritual direction of the Faithful are exempt from revenue tax.

So far as the Holy See is concerned, the above-mentioned publications may be issued in any language. Those emanating from the Bishops are to be printed in Italian or Latin; but alongside the Italian text the ecclesiastical authorities may add a translation in other languages.

The ecclesiastical authorities may, without any interference on the part of the civil authorities, take up collections both within the churches and at the portals of the same, as well as in the buildings which belong to them.

MILITARY SERVICE OF PRIESTS

3. Students in theology, those preparing for the priesthood who are in the last two years of study preliminary to theology and novices in religious institutes may, on their own request, put off from year to year, up to the age of 26, the fulfillment of the obligations of military service.

Ordained clerics *in sacris* and religious who have taken their vows are exempt from military service except in case of general mobilization. In such a case the priests join the armed forces of the State but retain their clerical garb in order that they may exercise their sacred ministry among the troops under the ecclesiastical jurisdiction of the Military Ordinary according to the provisions of Article 14. The other clerics or religious will be assigned preferably to the sanitary branch of the service.

However, even when general mobiliza-

tion is ordered, priests who are entrusted with the care of souls are exempt from the obligation of answering to the call. Bishops, parish priests, assistant parish priests or coadjutors, vicars and permanent rectors of churches which are open to public worship are included in this category.

4. Ecclesiastics and religious are exempt from jury duty.

5. No ecclesiastic may be employed or remain in the employment of service of the Italian State or of any of the public departments subordinate to the same without the express permission of his diocesan Bishop. The revocation of this permission deprives the ecclesiastic of power to continue exercising the duty or office assumed.

In any case apostate priests or those who have incurred censure cannot be employed or retained in a teaching post, or in an office or an employment in which they are brought into immediate contact with the public.

6. Stipends and other emoluments enjoyed by ecclesiastics by reason of their office are exempt from charges and liens in the same way as the stipends and salaries of the employees of the State.

7. Ecclesiastics cannot be requested by magistrates or other authorities to give information regarding persons or matters which has come to their knowledge through the exercise of their sacred ministry.

PUNISHMENT OF ECCLESIASTICS

8. When it happens that an ecclesiastic or a religious is brought before a penal magistrate because of some crime the State's Attorney must immediately inform the Ordinary of the diocese in whose territory he exercises jurisdiction and he must take pains to transmit officially to him the preliminary decision in the case and, if issued, the final sentence both of the court of first instance and of the court of appeal.

In case of arrest, the ecclesiastic or religious is to be treated with the respect due to his calling and to his clerical status. In case an ecclesiastic or religious is convicted he is to serve his sentence, if possible, in quarters separate from those intended for laymen unless the Ordinary to

whose jurisdiction he belongs has unfrocked the offender.

POLICE POWERS IN BUILDINGS FOR WORSHIP

9. As a general rule, buildings open for worship are exempt from confiscation or occupation. When for grave public cause it becomes necessary to occupy a building used for worship, the officials who are about to proceed with the occupation must first make arrangements with the Ordinary unless there are reasons of absolute urgency which prevent their doing so. In such cases the officials occupying the building will at the earliest possible moment notify the Ordinary.

Except in cases of urgent necessity, the police cannot in the exercise of their duties enter buildings used for worship without having given previous notice to the proper ecclesiastical authority.

10. For no cause whatsoever is it permitted to undertake the demolition of buildings used for worship without previous agreement with the proper ecclesiastical authority.

11. The State recognizes the holy days established by the Church, which are the following: All Sundays; New Year's Day; the Feast of the Epiphany (Jan. 6); the Feast of St. Joseph (March 19); Ascension Thursday; the Feast of Corpus Christi; the Feast of Sts. Peter and Paul (June 29); the Feast of the Assumption of the Blessed Virgin Mary (Aug. 15); All Saints' Day (Nov. 1); the Feast of the Immaculate Conception (Dec. 8), and Christmas Day.

12. On Sundays and holy days of obligation, in churches having a canonical chapter, the celebrant of the Conventual Mass will sing, according to the regulations of the sacred liturgy, a prayer for the prosperity of the King of Italy and the Italian State.

MILITARY CHAPLAINS

13. The Italian Government will transmit to the Holy See a complete list of the ecclesiastical personnel regularly attached to the service of spiritual ministry to the military forces of the State as soon as it is approved according to law.

The nomination of the ecclesiastics who are entrusted with supreme direction of

the service of spiritual ministry (Military Ordinary, vicar and inspectors) is transmitted confidentially by the Holy See to the Italian Government. Whenever the Italian Government has any reason for opposing the selection it will communicate the same to the Holy See, which will then proceed to make another selection.

The Military Ordinary will be invested with the rank of Archbishop.

The nomination of military chaplains is made by the competent authority of the Italian State on the recommendation of the Military Ordinary.

RELIGIOUS RIGHTS OF TROOPS

14. The Italian troops in all branches of the service, air, land and water, in the matter of religious duties, enjoy all the privileges and exemptions granted by the Canon Law.

So far as these troops are concerned, the military chaplains hold the same relation to them that parish priests hold toward their parishioners. They exercise their sacred ministry under the jurisdiction of the Military Ordinary, who is assisted by his own curia.

The Military Ordinary also has jurisdiction over the religious personnel, male and female, attached to the military hospitals.

15. The Archbishop who is the Military Ordinary is Head of the Chapter of the Church of the Pantheon in Rome, and together they constitute the clergy to which religious services of this Basilica are entrusted. This body of clergy is authorized to provide for all religious functions, even outside Rome, which are requested by the State or by the Royal Family in conformity with the regulation of Canon Law.

The Holy See is pleased to confer on all the canons belonging to the Chapter of the Pantheon the dignity of Prothonotaries *ad instar* during their term of tenure. The nomination of each of these canons will be made by the Cardinal Vicar upon presentation by His Majesty, the King of Italy, following a confidential indication of the person to be presented.

The Holy See reserves the right to transfer the Cardinalitial Title to another church.

16. The High Contracting Parties will

proceed amicably, employing commissions selected by both, to a revision of the diocesan lines in order to make them correspond as far as possible with the divisions of the provinces of the State.

It is understood that the Holy See will establish the Diocese of Zara; that no part of the territory subject to the sovereignty of the Kingdom of Italy will be in the jurisdiction of a Bishop whose see is situated in territory subject to the sovereignty of another State; and that no diocese of the Kingdom will include any parcels of territory subject to the sovereignty of another State.

The same rule will be observed with regard to all parishes either now existing or later to be established in places near the frontiers of the State.

Changes in diocesan lines which, in accordance with the above arrangement, may in the future have to be made will be settled by the Holy See after coming to an agreement with the Italian Government or in accordance with the regulations laid down above, except such slight territorial adjustments as are conducive to the welfare of souls.

REDUCED NUMBER OF DIOCESES

17. The reduction in the number of dioceses which will result from the application of the preceding article will be brought about gradually as the dioceses become vacant.

It is understood that the reduction in the number of dioceses will not entail the suppression of the titles of the dioceses or of the chapters which will still be preserved since the dioceses will be redistributed in such a way that the sees of the same will correspond with the principal towns of the provinces.

The aforesaid changes will leave intact all the present economic resources of the dioceses and of the other ecclesiastical organizations existing within the same, including the funds now assigned to them by the Italian State.

SUBSIDIES TO PARISHES

18. When it is necessary according to the provisions of the ecclesiastical authority to combine several parishes, whether temporarily or permanently, either by as-

signing them to a single parish priest assisted by one or more curates or by housing several priests in one rectory, the State will maintain unchanged the economic subsidy due to these parishes.

SELECTION OF BISHOPS

19. The selection of Archbishops and Bishops pertains to the Holy See. Before proceeding to the nomination of an Archbishop, a Bishop or a Coadjutor with the right of succession, the Holy See will communicate the name of the person chosen to the Italian Government in order to be sure that the latter has no objection from a political standpoint against the nomination. The formalities required will be carried out with all possible care and with every precaution so that secrecy may be maintained with regard to the person selected until his nomination is formally announced.

20. Bishops before taking possession of their dioceses shall take an oath of loyalty at the hands of the Head of the State according to the following formula:

"Before God and on the Holy Gospels I swear and promise, as becomes a Bishop, loyalty to the Italian State. I swear and promise to respect, and to make my clergy respect, the King and the Government established according to the constitutional laws of the State. I swear and promise, moreover, that I shall not participate in any agreement or take part in any discussion that might be injurious to the Italian State or detrimental to public order and that I shall not permit my clergy to take part in such. Being mindful of the welfare and of the interests of the Italian State, I shall endeavor to ward off any danger that may threaten it."

21. The awarding of ecclesiastical benefices pertains to ecclesiastical authority. The competent ecclesiastical authority will communicate confidently to the Italian Government the names of those who are invested with parochial benefices, and the investiture can have no effect until after thirty days from the date of the said communication. During this period, the Italian Government, if grave reasons against the appointment exist, may make these reasons known confidentially to ecclesiastical authority, and this authority, if no

agreement can be reached, shall refer the case to the Holy See.

Wherever serious reasons arise which might render undesirable the continuance of an ecclesiastic in a particular parochial benefice, the Italian Government will communicate these reasons to the Ordinary who, after an understanding with the Government, shall take appropriate measures within three months. In case of disagreement between the Ordinary and the Government, the Holy See will entrust the settlement of the difficulty to two ecclesiastics of its own choice who, after coming to an agreement with two delegates of the Italian Government, will render a decision that shall be final.

ITALIAN BENEFICES LIMITED TO ITALIAN CITIZENS

22. Ecclesiastics who are not Italian citizens cannot be appointed to Italian benefices. Moreover, the Bishops of the dioceses and the rectors of parishes must speak Italian. If necessary, they must have assistants who, in addition to Italian, also understand and speak the local dialect in order that they may give religious assistance to the faithful in their own language according to the rules of the Church.

23. The provisions of Articles 16, 17, 19, 20, 21 and 22 do not apply to Rome and the suburban dioceses.

It is also understood that should the Holy See proceed to a new arrangement of these dioceses, the allotments at present made by the Italian State, both to the Bishop's household and to other ecclesiastical institutions, shall remain unchanged.

24. The *Exequatur*, the Royal *Placet* and all imperial or royal appointments in the matter of filling benefices and ecclesiastical offices in the whole of Italy are abolished with the exception of the benefices mentioned in Article 29, g.

25. The Italian State renounces the sovereignty prerogative of Royal patronage with regard to major and minor benefices. The right of the State to use the revenue of vacant benefices, major and minor, is abolished. The "Third Pensioner" in the provinces of the Kingdom of the Two Sicilies is also abolished. The maintenance of these benefices ceases to be incumbent

upon the State or upon its administrative dependencies.

26. The appointment of the incumbents of benefices, both major and minor, and of the person who is temporarily to represent the vacant see or benefice shall be effective from the date of the ecclesiastical action which will be officially communicated to the Government. The administration and use of the income during the time the benefice is vacant is regulated by the provisions of the Canon Law.

In case of bad management, the Italian State, after consultation with the ecclesiastical authorities, may proceed to sequester the temporalities of the benefice, the net income to be turned over to the person holding the benefice, or, in case there is no such person, to accrue to the advantages of the benefice.

CHURCHES CEDED TO THE HOLY SEE

27. The Basilicas of the Holy House of Loreto, of St. Francis at Assisi, and of St. Anthony at Padua, together with the buildings and institutions annexed, except those which are distinctly lay in character, shall be ceded to the Holy See and their administration shall pertain exclusively to the same. The other institutions of whatever kind which are conducted by the Holy See in Italy, together with the missionary colleges, shall likewise be free from all interference on the part of the State and exempt from confiscation. However, in every case the Italian laws concerning the acquisition of moral persons continue in force.

With regard to the properties actually pertaining to the above-mentioned sanctuaries, a distribution will be made through the agency of a commission chosen by both parties, consideration being given to the claims of any third parties and to the endowments necessary for the maintenance of the aforesaid lay institutions.

The other sanctuaries which are now under civil administration will be turned over to the exclusive control of ecclesiastical authority, except in cases where a distribution of property or goods is to be made according to the provisions of the preceding paragraph.

28. In order that their consciences may

be at ease, the Holy See will grant full condonation to all those who hold ecclesiastical property as a result of the Italian laws by which the patrimony of the Church was dispersed. To this end the Holy See will give the Bishops proper instructions.

THE STATE TO REVISE CHURCH LAWS

29. The Italian State will reconsider its legislation dealing with matters ecclesiastical, with the purpose of changing and reorganizing it so as to bring it into harmony with the norms envisaged by the Treaty made with the Holy See and by the present Concordat.

From the present moment the two High Contracting Parties are agreed on the following points:

(a) The legal personality of ecclesiastical entities hitherto recognized by Italian law (the Holy See, dioceses, chapters, seminaries, parishes, &c.), remaining unchanged, such status will also be accorded to churches open to public worship, where they do not already possess it, including those churches formerly belonging to ecclesiastical institutions that have been suppressed, together with the assignment, in the case of these last-named, of the revenue which the Fund of Worship actually sets aside for each of them.

Except for what is provided in Article 27 above, the administrative councils, wherever they exist and whatever be their character, even if they are made up wholly or mostly of laymen, shall not concern themselves with the religious services; and the appointment of the members shall be made after consultation with the ecclesiastical authorities.

(b) Italy will recognize the legal personality of religious associations, either with or without vows, approved by the Holy See, which have their mother house in the Kingdom and are therein represented, *de jure* and *de facto*, by persons who are Italian citizens and have their domicile in Italy. Italy will likewise recognize the legal personality of Italian religious provinces, within the limits of the territory of the State and of its colonies, and of associations having their mother house abroad when the same conditions are fulfilled. In addition, Italy will recognize the

legal personality of religious houses when the particular rules of the different orders grant to the said houses the capacity to acquire and possess property. Lastly, Italy will recognize the legal personality of the headquarters and of the procures of religious associations, including foreign orders or congregations. Associations and religious houses already having a legal personality will maintain the same.

Documents dealing with the transfers of real estate belonging to the associations from the actual title-holders to the associations themselves shall be exempt from all taxes.

(c) Confraternities, the exclusive or main purpose of which is religious worship, shall not be subject to further changes in their aims and purposes; and they depend upon ecclesiastical authority in all that concerns their functioning and their administration.

(d) Religious foundations of any kind are allowed, provided it is clear that they answer the religious needs of the people and that they impose no financial burden on the State. The above provision also applies to foundations already *de facto* existing.

(e) In the civil administration of the ecclesiastical patrimony resulting from the laws of confiscation, the administrative boards will be made up of members one-half of whom are selected by the ecclesiastical authorities. The same provision applies to religious endowment funds in the new provinces.

(f) Legal actions concluded hitherto by ecclesiastical or religious organizations without complying with the civil laws may be recognized and regularized by the Italian State upon application of the Ordinary to be submitted within three years from the date upon which the present Concordat goes into effect.

(g) The Italian State renounces the privilege of exemption from ecclesiastical jurisdiction of the clergy attached to the Royal Household anywhere in Italy (except in the case of those attached to the church of the Holy Winding-Sheet in Turin, the church of La Superga, the church known as "del Sudario" in Rome, and to the chapels annexed to the residences of the Sovereigns and the Royal

Family). All nominations and assignments to benefits and offices will be governed by the provisions laid down in the preceding articles. A special commission will provide for the assignment to each royal basilica or church of a suitable endowment in accordance with the regulations laid down for the property belonging to the Sanctuaries mentioned in Article 27.

TAXATION OF RELIGIOUS BODIES

(h) Without any change in the tax exemptions already established in favor of ecclesiastical institutions by the Italian laws now in force, organizations the purpose of which is worship or religion are placed on the same basis, so far as taxation is concerned, as organizations formed for purposes of charity or education.

The following taxes are abolished: The extra tax of 30 per cent imposed by the provisions of Article 18 of the Law of Aug. 15, 1867, No. 3848; the so-called *concursum quota* mentioned in Article 31 of the Law of July 7, 1886, No. 3036, and in Article 20 of the Law of Aug. 15, 1867, No. 3848; and also the tax on the transfer of the usufruct of property constituting the endowment of benefices or other ecclesiastical institutions mentioned in Article 1 of the Royal Decree of Dec. 30, 1923, No. 3270. The imposition of any tax whatsoever on Church property in the future is also excluded. The professional tax and the license tax, established by the Royal Decree of Nov. 18, 1923, No. 2538, to take the place of the abolished tax "of license and sale," will not apply to ecclesiastics in the exercise of their priestly ministry; nor shall they be liable to any other tax of this kind.

(i) The use of the ecclesiastical or religious garb by seculars, or by ecclesiastics or religious who are forbidden to wear it by positive order of the proper ecclesiastical authority (which order must be officially communicated to the Italian Government for this purpose), is prohibited and punishable by the same penalties as are provided for the illicit use of the military uniform.

MANAGEMENT OF CHURCH PROPERTY

30. The management, both ordinary and extraordinary, of property belonging to

any ecclesiastical institute or religious association whatsoever is carried out under the supervision and control of the proper Church authorities without any interference on the part of the Italian State and without the obligation of converting the real estate into cash.

The Italian State recognizes on the part of ecclesiastical institutions and religious associations the right to acquire property, the provisions of the civil law with regard to the acquisitions of moral entities remaining intact.

The Italian State, until some other arrangement is made by mutual agreement, will continue to meet the deficits in the revenues of ecclesiastical benefices by granting allowances corresponding at least to the actual value of the subsidy established by the laws now in force. In consideration of this agreement the financial management of these benefices, in all that concern acts and contracts which are over and above the simple administration of them, shall be carried out with the cooperation of the Italian State; and in case of a vacancy the assignment of the revenues will be made in the presence of a representative of the Government, a record of the transaction being kept.

The "mensal" income of the Bishops of the suburban sees and the patrimony of the chapters and parishes of Rome, and of the above-mentioned sees, are not subject to the aforesaid intervention. The total amount of the revenues of these dioceses, chapters and parishes, which corresponds to benefices, will be made known in a statement to be rendered annually by the Suburban Bishop for his diocese and by the Cardinal Vicar for the City of Rome in order that they may have their proper share of the subsidy allowed by law.

NEW ECCLESIASTICAL INSTITUTIONS

31. The creation of new ecclesiastical institutions and religious associations will be taken care of by the ecclesiastical authorities, according to the provisions of the Canon Law. Their recognition, so far as civil effects are concerned, pertains to the civil authorities.

32. The acts of official recognition and authorization provided for in the various

articles of this Concordat and of the Treaty will be put into effect according to the regulations laid down by the civil laws, which shall be brought into harmony with the provisions of the Concordat and the Treaty.

33. The disposition and control of the Catacombs existing in Rome and in other sections of the territory of the Kingdom is reserved to the Holy See with the consequent obligation of providing for their maintenance and preservation. The Holy See, therefore, provided it complies with the laws of the State and takes precautions to protect the possible rights of any third parties, may proceed to carry on such excavations as may seem desirable and to transfer to other localities the bodies of the saints.

MARRIAGE LAWS

34. The Italian State, desirous of restoring to the institution of marriage, which is the foundation of the family, the dignity that belongs to it according to the Catholic traditions of its people, recognizes the civil effects of the sacrament of matrimony as administered according to the regulations of the Canon Law. The banns of marriage as defined above will be published both in the parish church and in the city or town hall. Immediately after the celebration of a marriage, the parish priest will explain to the married couple the civil effects of the marriage, reading the articles of the Civil Code which have to do with the rights and duties of husbands and wives, and will make a record of the ceremony. Within five days he will send a complete copy of this record to the municipal building in order that it may be transcribed in the register of the civil authorities.

Questions having to do with the nullification of marriage and with the dispensation of a marriage *ratum et non consummatum* are reserved to the jurisdiction of ecclesiastical tribunals and courts. The findings and relative opinions when they become final, will be conveyed to the Supreme Tribunal of the Segnatura, which will decide whether the regulations of the Canon Law with regard to the competency of the judge, the summons, and the legitimate representation or contumacy of the

parties have been observed. These findings and final opinions, together with the decrees of the Supreme Tribunal of the Segnatura relating thereto, will be transmitted to the Civil Court of Appeal having local jurisdiction, which court, by means of an order issued in council, will make the decrees effective with regard to the civil effects and will give orders to have them recorded in the civil register alongside the record of the marriage.

As regards cases of personal separation, the Holy See is willing that the same shall be judged by the civil judicial authority.

35. For the schools of secondary education maintained by ecclesiastical or religious organizations the policy of the State examinations remains in force, the candidates from these schools taking the examinations on exactly the same conditions as are prescribed for the candidates from schools maintained by the institutions of the Government.

RELIGIOUS TEACHING IN THE SCHOOLS

36. Italy considers the teaching of Christian doctrine, according to the form handed down by Catholic tradition, as the foundation and capstone of public education. Therefore, Italy agrees that the religious instruction now given in the public elementary schools shall be further developed in the secondary schools according to a program to be agreed upon by the Holy See and the State. This instruction is to be given by teachers and professors who are priests or religious approved by ecclesiastical authority, and who will be aided by lay teachers and professors holding for this purpose proper certificates of fitness and capacity, these certificates to be issued by the diocesan Bishop. Revocation of the certificate by the Bishop immediately deprives the individual of the right to teach. No texts will be adopted for this religious instruction in the public schools except such as are approved by ecclesiastical authority.

37. The Directors of State associations for physical education, for pre-military instruction, as well as the directors of the Avanguardisti and the Ballila, in order to facilitate the religious instruction and care of the youth entrusted to their charge, will so arrange their programs that they

will not interfere with the young people's fulfillment of their religious duties on Sundays and holy days of obligation. The officials of the public schools will make similar provisions in the matter of arranging the classes to be held on holy days.

38. The appointment of professors in the Catholic University of the Sacred Heart and in the subordinate Institute of Mary Immaculate is subject to the approval of the Holy See. The purpose of this regulation is to make certain that no one is appointed who would be undesirable from the standpoint of morality or religion.

39. Universities, major and preparatory seminaries, whether diocesan, inter-diocesan or regional, academies, colleges and other Catholic institutions for the education and training of ecclesiastics will continue to be subject to the Holy See exclusively, with no interference on the part of the educational authorities of the Kingdom.

40. Degrees in Sacred Theology granted by Faculties approved by the Holy See will be recognized by the Italian State. Recognition is likewise given to the diplomas earned in the Schools of Paleography, Science of Archives and Documentary Diplomacy connected with the Library and the Archives of the Vatican City.

PAPAL TITLES RECOGNIZED

41. Italy authorizes the use, in the Kingdom and in its colonies, of Knightly honors bestowed by the Holy See, demanding only that the letter of appointment shall be registered. To secure this the individual will present his appointment accompanied by a written request for registration of the same.

42. By means of a royal decree to be executed, Italy will recognize the titles of nobility conferred by the Sovereign Pontiffs, even after 1870, and also those which may be conferred in the future. The circumstances will be determined in which the recognition of these titles is not subject in Italy to the payment of a tax.

43. The Italian State recognizes the auxiliary organizations of the Azione

Cattolica Italiana inasmuch as these, according to the regulations of the Holy See, carry on their activities independently of all political parties and under the immediate direction of the Hierarchy of the Church, for the teaching and practice of Catholic principles. The Holy See takes occasion on the signing of the present Concordat to renew its prohibition to all the ecclesiastics and religious to enroll or take any part in any political party.

44. If, in the future, any difficulty should arise with regard to the interpretation of the present Concordat, the Holy See and Italy will proceed with mutual understanding to an amicable solution.

45. The present Concordat will be effective upon the exchange of ratifications simultaneously with the Treaty made by the two High Contracting Par-

ties by which the "Roman Question" is eliminated.

As soon as the present Concordat goes into effect the provisions of the obsolete Concordats of the ex-Italian States will cease to be applicable in Italy. The Austrian laws, as well as the actually existing laws, regulations, ordinances and decrees of the Italian State which are contrary to the provisions of the present Concordat, are understood to be abrogated when said Concordat goes into effect.

In order that the present Concordat may be put into effect without delay, a commission made up of individuals chosen by the two High Contracting Parties will be appointed immediately after the Concordat is signed.

Rome, Feb. 11, 1929.

Signed: PIETRO CARD. GASPARRI.

Signed: BENITO MUSSOLINI.

FINANCIAL AGREEMENT

In the name of the Most Holy Trinity:

Whereas, the Holy See and Italy, after making a Treaty by which the "Roman Question" has been definitively settled, have considered it necessary to establish a special convention, which shall be distinct from, though forming an integral part of, the above-mentioned Treaty, and by which their financial relations shall be regulated; and

Whereas, the Sovereign Pontiff, considering on the one hand the great damage suffered by the Apostolic See through the loss of the Patrimony of St. Peter, which was established by the old Papal States, and of the properties of the ecclesiastical organizations, and, on the other hand, the ever-growing needs of the Church, even in the city of Rome, yet knowing very well the present financial condition of the State and the economic status of the Italian people, especially after the war, has deemed it advisable to restrict his demand for indemnity to what is absolutely necessary, asking a sum, partly in cash and partly in securities, which is actually much less than what the State would have to pay to the Holy See today if it were merely

carrying out the obligation assumed by the law of May 13, 1871; and

Whereas, the Italian State, appreciating the paternal sentiments of the Sovereign Pontiff, has considered it its duty to accede to the request for the payment of said sum;

The two High Contracting Parties, represented by the same Plenipotentiaries, have agreed:

1. Italy assumes the obligation of paying to the Holy See the sum of 750,000,000 (seven hundred and fifty million) Italian lire upon the exchange of the ratifications of the Treaty and to deliver at the same time to the Holy See 5 per cent negotiable Italian State bonds (with coupon falling due on June 30, next) to the nominal value of 1,000,000,000 (one billion) Italian lire.

2. The Holy See declares that it accepts the above as a final settlement of its financial relations with Italy resulting from the events of 1870.

3. All the documents to be executed for the carrying out of the Treaty, of this Financial Convention and of the Concordat, shall be exempt from all taxes.

Rome, Feb. 11, 1929.

Signed: PIETRO CARD. GASPARRI.

Signed: BENITO MUSSOLINI.

Rescuing Millions of War Victims From Disease and Starvation

By FRIDTJOF NANSEN

[Dr. Nansen began his career as a scientist in Norway, where he was born on Oct. 10, 1861, and first became famous throughout the world for his leadership of the North Pole expedition of 1893-96, which reached the highest latitude until then attained. He took an active part in the separation of Norway from Sweden, and later served as Norwegian Minister in London. In later years he has worked for peace, been awarded the Nobel Peace Prize, and, as High Commissioner of the League of Nations, has carried on the humanitarian work described in the following article.—EDITORS CURRENT HISTORY.]

MORE than a year after the end of the World War, prisoners unable to return to their homes were still scattered throughout Russia, Siberia, Central Europe and the Balkan States. It was uncertain how many there were, but they included every nationality—Germans, Austrians, Poles, Czechs, Serbs, Italians, Turks and Russians. The governments to which they owed allegiance were so exhausted by the war that they had not the resources to arrange and pay for their transportation. Moreover, as many governments were involved, international agreement between at least a majority of them was necessary, and this was made difficult for various diplomatic and political reasons. Many of the prisoners of war were subjects of States which had fought against the victorious Allies, so that there was an understandable prejudice against doing anything to help them, to which must be added the fear of epidemics in the countries through which the prisoners had to be transported. Even if transit had not been refused,

as it was, disorganization of the railroads and other means of transportation as well as inability to pay for these services would have been tremendous stumbling blocks.

After several efforts to solve the problem had been made, only to end in failure, the Council of the League of Nations at its first meeting in April, 1920, decided that the repatriation of the prisoners of war would be an appropriate task for the League to undertake. For reasons unknown to me and quite unexpectedly I received a telegram asking me to take charge of the work as the League's High Commissioner. The work was so much outside my experience that I refused, until Philip Noel Baker came to see me on behalf of the League and to promise to assist me, as he did, in a task that I was assured would require me to give up only a couple of months to prepare a program and an estimate of expenditure. On that understanding I agreed to accept the position, but the work has lasted very much longer than the couple of months which I expected.

Beginning my duties in April,

1920, I found that my first task was to bring about cooperation between the governments concerned. The members of the League and the governments which had prisoners to repatriate quickly accepted the good offices of the League Council and its High Commissioner. But the Soviet Government stood in the way, for without its help, without the railway facilities it alone could provide, the prisoners could not be brought out. In those days Soviet Russia's hand was against all the world, and when, a few weeks after starting work, I went to Moscow, Chicherin, the Commissar for Foreign Affairs, explained that he could not negotiate with me because the Soviet Government did not recognize the League. This difficulty, however, was overcome by arranging that I represented the different governments concerned instead of the League, and a satisfactory agreement was soon obtained with the Soviet Government for the provision of trains to convey war prisoners to the frontier and for their exchange for Russians who were still in Central Europe and who wished to return home. The Soviet Government thus sent at least two trains a week with prisoners to Narva, where we established a concentration camp to which we sent Russian prisoners from different parts of Europe. Although the Soviet Government was then at war with Poland and needed all available railway material, some weeks it conveyed to Narva even more prisoners than had been promised, so that we had difficulties in finding room for them in the concentration camp.

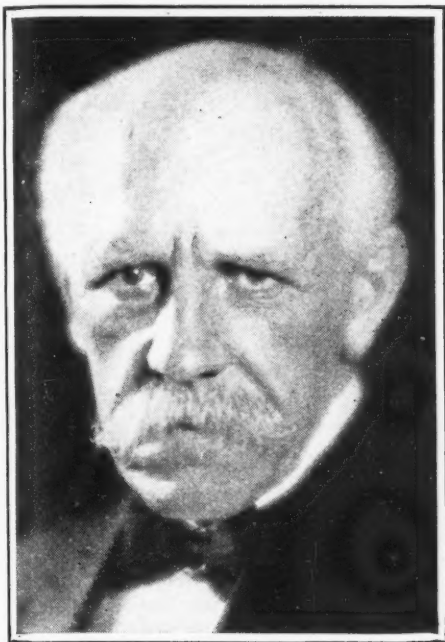
The Council of the League, at my request, passed a resolution urging the governments of all countries across whose territory the prisoners were to pass to assist in every way

in their power, and the governments of these countries immediately and generously responded. They helped in establishing camps and providing trains and by according my representatives every facility in their power.

PROBLEM OF MONEY

The most difficult problem of all was to obtain the money needed for trains, ships, camps and food. The countries to which the prisoners belonged had no funds, but a number of governments had already contributed to a loan for general reconstruction purposes in Central Europe. I suggested to the International Commission in Paris, which handled these relief credits, that the return of prisoners to their homes and to productive industry was in itself a piece of economic reconstruction. To this the commission agreed, and after protracted negotiations I secured promises from a number of governments to supply the needed money. The League of Nations was thus, for the first time, instrumental in obtaining an international loan for reconstruction work for countries which on their own account were unable to find credit.

In the actual work of organizing transportation by land and sea and establishing camps, a great part was played by the International Committee of the Red Cross, whose representatives also collected the prisoners, registered them and recorded their movements, disinfected them, supplied them with such clothing as we were able to get, gave them food while in transit, and generally aided in this great task of repatriation. In addition to this cooperation, we were splendidly assisted by the German and Soviet Governments at Narva and also by the Swedish Red



Underwood

DR. FRIDTJOF NANSEN

Cross under the leadership of Prince Charles of Sweden.

The movement of prisoners began in May, 1920, and as funds became available it was so greatly accelerated that at the first Assembly of the League of Nations in November, 1920, we were able to report that 150,000 prisoners of war had returned to their homes. This movement took place through Narva and other Baltic ports, to which prisoners were brought by rail from different parts of Russia. There they were kept in camps, disinfected and fed, and placed on ships which came to take them away, while at the same time Russian prisoners were brought from Central Europe. In this work we had the use of ships which, according to the Peace Treaty, Germany was to hand over to Great Britain. We had the ships repaired in Germany, and manned them with German crews, expenses

being considerably reduced by the low value of the German mark. The prisoners from Russia were taken from Narva to Swinemünde on the north coast of Germany, where they were again collected in a camp before being sent by rail to their respective countries. Altogether we had fourteen ships plying between the Baltic ports, where finally over 400,000 prisoners of war were handled.

In the Black Sea region many prisoners had been concentrated and to repatriate them was a much more difficult problem, for ships had to be sent to take them from Odessa and Novorossisk to Trieste. Odessa and Novorossisk were then almost cities of the dead, with the country behind them in a state of turmoil and confusion. Nevertheless, 12,000 prisoners went home by this route, many of them having suffered, perhaps, even more than the prisoners in Siberia.

To repatriate the prisoners who had collected at Vladivostok and elsewhere in Eastern Siberia involved an expense so great that we could not meet it with our funds. The American Joint Repatriation Committee, however, contributed the greater part of the cost of nearly \$1,000,000. This enabled us to charter ships which, in addition to the prisoners, carried a certain amount of cargo, thus reducing the cost. Altogether 9,604 prisoners were sent home from Vladivostok. For the transportation of a thousand Turkish prisoners payment was made by the Turkish Government, and they were sent from Vladivostok in a Japanese ship. On reaching the Dardanelles, however, they were captured by a Greek warship and taken to Greece, after having already been for nearly seven years in Siberia. I obtained an agreement

from the Greek Government to keep them in a camp in Italy, and after some months they were released and finally sent home. About 25,000 Bulgarian prisoners of war in Greece and Yugoslavia were also repatriated.

About 450,000 prisoners of war were thus sent back by our organization to their homes in about eighteen months for less than a total sum, excluding the American contribution, of \$2,000,000 which had been placed at our disposal.

The repatriation of war prisoners, though a difficult enough task, was almost nothing in comparison with the bitter tragedy of the Russian famine, which began immediately afterward, in the Autumn of 1921. It was caused by a drought which destroyed the crops in the Volga Valley and in a large part of the Ukraine. The White and Red armies had previously swept to and fro across these regions and carried away all reserves of grain, so that, when the famine came, the peasants had little or nothing to live on, and between 30,000,000 and 40,000,000 people were exposed to starvation. To the relief fund the American people—through Mr. Hoover's organization—contributed more than any other, while the United States Government added \$20,000,000 to the large sums which poured in from private sources. Toward the end of the famine the American organization was feeding 10,000,000 people, and millions of lives were thereby saved. In Europe we also did what we could. As soon as we realized that a serious catastrophe threatened, I made an agreement with the Soviet Government in August, 1921, as to the conditions under which we could do relief work in Russia, and an urgent appeal was made to the League of Nations and its members.

Some of the leading governments refused to take any action, and the League therefore could not cooperate, but the private response to our appeal was generous and our organizations were able to feed some millions of people.

HORRORS OF FAMINE

No one who did not see the famine can ever quite understand what it was like. I have a nightmare always in my mind of the things I witnessed. I see those primitive Russian villages in the Volga basin, groups of houses in the midst of great open plains, miles it may be from a railway, frozen in the grip of Winter. I remember how we drove across the wide plains to those villages, how they seemed like places of the dead, with no moving thing about them, how we pushed open the doors of the houses and stepped in, and found the whole family sitting or lying down, not speaking, not moving, simply waiting for the end or some miracle of help. The lucky ones might have heaps of dried grass and leaves, or perhaps even some bones of a horse, or a horse hoof which they would crush and mix with the grass and leaves to make a kind of bread. Some of them lying on their sides, gaunt skeletons of men and women, would not answer when you spoke to them—they were already dead. Millions died in the torture of hunger during the famine. Thousands upon thousands went mad from pain before the end. Cannibalism was rife throughout a population as great as that of the States of New York, Ohio, Michigan and Pennsylvania together. Corpses were dug up from the churchyards to be used for food; mothers, in mad desperation, killed and ate their babies; fathers killed their daughters to



Underwood

Russian prisoners of war interned in Switzerland leaving for home after the armistice

the Autumn of 1922, when the Greek armies were defeated by the Turks in the mountains of Asia Minor. As the Greeks fled in disorder, hundreds of thousands of the Greek and Armenian inhabitants of Asia Minor hastened to the coast, and by every ship they could board, across the sea to Greece. The League of Nations Assembly had just met when this happened, and, being asked to help, I went at once to Constantinople and Greece. A whole population on the road, tens of thousands of them running away, marching on in endless rows for fear of massacre by the Turks—such was the sight that met one's eyes. More than a million refugees poured in over the frontiers of Greece, which had a population of only 4,500,000. The misery of these destitute people was indescribable. Obviously, the only solution of this terrible problem was to try to settle the refugees in Greece, but

save themselves from death—but no, one cannot go further into those horrors. All that was in the “civilized” Europe of which we are so proud. If the Western European Governments had taken effective steps immediately and while there was still time, nearly all could have been saved. As it was, at least two or three millions died. Our only consolation is that if it had not been for the American and European relief work, many more millions would have died.

After the Russian famine, in 1921-1922, followed a new catastrophe in

the Greek Government lacked the funds to feed them. Again America came to the rescue, and during the first Winter the American Red Cross saved 800,000 refugees from dying of starvation.

Meanwhile an experiment was made with 10,000 refugees who, under Colonel Procter's leadership, were settled in Western Thrace, mostly for the purpose of cultivating vacant land or starting new industries, such as carpet-weaving. Within a year these settlers were self-supporting. Next, a plan was worked out, chiefly by Colonel Proc-



Map showing Armenia before and since the World War

ter, for the settlement of all the refugees in Greece, and we proposed that the Greek Government should obtain a loan for the purpose, which it did with the assistance of the League of Nations. Under the superintendence of a commission appointed by the League, 1,500,000 refugees have been settled in Greece, and not only are self-supporting but are a source of revenue to the State and a substantial addition to the prosperity of the country. Three Americans have been the chairmen of this commission: first, Henry Morgenthau, former Ambassador in Constantinople; then, Charles P. Howland, and now Charles B. Eddy.

THE RUSSIAN REFUGEES

The Russian refugees who had fled from Russia after the revolutions and after the defeat of the Denikin, Kolchak and Wrangel armies, and who were scattered in great numbers, estimated at a total of 1,500,000, over Europe and Asia, constituted another serious problem.

In 1921 I was asked by the Council of the League of Nations to deal with these refugees and, as High Commissioner of the League, to try to help and protect them. Ever since then I have been engaged in this work, which also in recent years has been carried on by the International Labor Office. Many of these refugees were unemployed and destitute. In Constantinople, for example, several thousand men of Wrangel's army had gathered, a number of them with their families. The question was how to transfer them and Russian refugees in other places to where they could become self-supporting. Most of the refugees had no passports or papers which would be recognized or could be visaed, and they were therefore unable to leave the centres in Europe where they were stranded. A conference of representatives of the various governments which I called recommended the issue of an identity certificate for each refugee, which should be valid as a passport

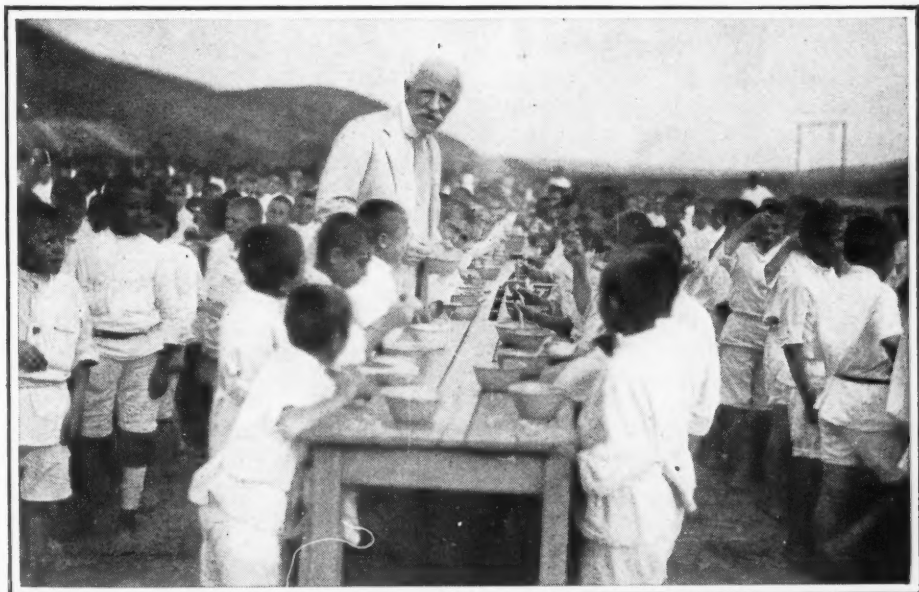
and be visaed in the same way. This proposal has been approved by most of the governments, and the Russian refugees have since then been able to travel with these certificates. The Armenian refugees also are entitled to obtain similar passports or certificates, and it is now proposed to extend the system to Assyrian, Assyro-Chaldean and Turkish refugees.

The work of aiding the destitute Russian and Armenian refugees is still being carried on under the auspices of the League of Nations, and it may be some years before it can be completed.

Everything mentioned so far has resulted directly or indirectly from war. Yet, terrible as the sufferings have been of the refugees I have mentioned, they are all eclipsed by the horrors through which the Armenian people have gone. Before the war they had, time after time, received the most cruel treatment at the hands of the Turks, particularly

in the '90s, when the horrible massacres under Sultan Abdul Hamid took place. The Armenians were hated and feared because they were a cleverer and much more gifted race than the Turks. When the World War came and there was no possibility of protest by the European powers, the Turks decided to wipe out the "accursed race," as the Armenians were called. To carry out their purpose the Turks made most careful preparations.

The first step was to arrest, in April, 1915, the 600 leading Armenians in Constantinople and send them to Asia Minor, where they disappeared, only eight of them being heard of again. Thus, the most important spokesmen of the Armenians were silenced. Then, in June, 1915, began such horrors of which there is no parallel in history. From all the villages of Asia Minor and Mesopotamia, the Armenian Christians were driven forth on their death march. The work was done



Courtesy Near East Relief

Dr. Nansen dining with orphans under the care of the Near East Relief

systematically, one district after another being cleared so that there should be a clean sweep of the entire Armenian people living under Turkish rule. As the majority of the men had already been taken for war work, in which they were gradually killed off, it was chiefly a matter of turning women, children and the aged and sick out of house and home. Given only a few days' or hours' notice to depart, they had to leave behind all their property, houses, fields, gardens, crops, cattle, furniture, tools and implements. The things they managed to carry with them, such as money, jewelry or other valuables, and even clothes, were subsequently taken away from them by the Turkish gendarmes.

DRIVEN INTO THE DESERT

These women and children and aged people were rounded up from the different villages and driven in long columns across the mountains to the desert plains of Arabia, where no provision had been made for their reception and maintenance, just as nothing had been done to keep them alive on the march. The object was clearly that those who did not succumb or get killed on the way should die from starvation. As soon as the columns started on their way the few men and older lads were assembled, taken aside and killed—within the hearing of the women folk. Then the women, children and old people were driven on, suffering agonies of hunger and thirst. The food, if there was any, was scanty and bad; those who could not keep up were flogged till they collapsed or were killed. Gradually the columns became smaller and smaller as hunger, thirst, disease and murder did their work. Young women and girls were raped or sold by auction in places where the Moslem

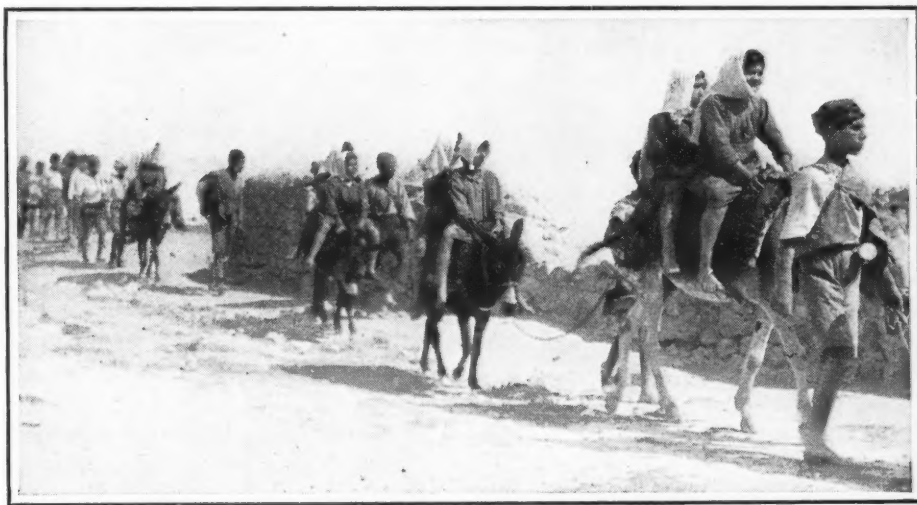
population had assembled. Often bands of *tyetas*—nondescript roughs and hooligans—and of Kurds swooped down upon the columns, robbing, maltreating, murdering and raping. A foreign witness has described these deportation columns as merely "a polite form for massacre"; but in reality they were infinitely worse and more heartless. As an instance of what these marches meant, I may mention on the authority of a German eyewitness, that out of 18,000 expelled from Kharput and Sivas only 350 reached Aleppo, and that out of 19,000 from Erzerum there were eleven survivors.

Of the survivors, emaciated, almost naked skeletons, who managed to struggle on to Syria and Mesopotamia, the majority were driven into the desert, there to die in fearful agonies. The columns marched on for months, and even at the end of their death-march they were not left in peace, but were driven round in circles for weeks. The concentration camps were filled and emptied again, while the cold-blooded taskmasters allowed their unhappy victims to die of starvation and disease, or massacred them by the thousand. Bands of Circassians were hired to do this work. They conducted companies, numbering 300 to 500, every day from the camps out into the desert, where they committed wholesale murder. Typhus raged among the victims. The corpses by the roadside poisoned the atmosphere. There are descriptions by eyewitnesses of the scenes among these starving and dying shadows of skeletons which are so full of heartrending horror that they read like a nightmare. I cannot repeat them—it was a hell.

We have a telegram in cipher sent on Sept. 11, 1915, by Tala'at Pasha, the responsible Turkish Minister of

the Interior, to "the Police Office at Aleppo." This is the text: "It has already been reported that by the order of the committee the government has determined completely to exterminate the Armenians living in Turkey. Those who refuse to obey this order cannot be regarded as friends of the government. Regardless of women, children or invalids,

the tragedy of the Armenians. In the Autumn of 1922 the Turks, under Mustapha Kemal, drove the Greeks out of Asia Minor. Once more, thousands and thousands of Armenians were expelled from the country like pariahs, and fresh scenes of cruelty were enacted. Stripped of everything, the fugitives arrived in Greece, Bulgaria, Con-



Courtesy Near East Relief

Armenian orphans in Turkey in 1922-23, being transported to Syria and Greece

and however deplorable the methods of destruction may seem, an end is to be put to their existence without paying any heed to feeling or conscience. (Signed) Minister of Interior, Tala'at."

It is estimated that at least 1,000,000 Armenians were exterminated. According to the statistics before the war, there were 1,845,450 Armenians in Turkey. Of these hardly 800,000 saved their lives by fleeing across the frontier, but the rest were wiped out.

When the Turks were defeated, and the armistice was signed, many Armenians returned to their homes in Anatolia and started life again. But then came the last grim act in

Constantinople and Syria, while great numbers fled again to Russian Armenia. All the real property and the movables that they had to leave behind were expropriated by the Turks and their rulers.

When rumors of what was happening to the Armenians reached Europe the governments of the Entente Powers promised the Armenian people a national home, independence and perfect liberty if they would fight with the Entente armies. These pledges were solemnly confirmed by Asquith and Lloyd George as Prime Ministers for Great Britain, President Wilson for the United States and Clemenceau for France. Armenian volun-

teers to the number of 200,000 sacrificed their lives for the entente cause; but when the war ended, from the Great Powers there were only words in fulfillment of their pledges to the Armenians.

ARMENIAN QUESTION

The Council of the League of Nations decided to take up the Armenian question and asked me to cooperate. With a commission of experts I went to Armenia in the Summer of 1925. We adopted a proposal for a loan to be raised through the League of Nations of \$4,500,000 for the Soviet Republic of Armenia, to be used in irrigating the land which is now a desert but rich in soil, and in settling at least 15,000 Armenian refugees on the irrigated land. The Armenian Government offered to guarantee the loan, as also did the Soviet Government and the Russian State Bank in Moscow. The plan was approved by all the experts who were asked to examine it, but owing to the opposition of the British Government, the necessary guarantee of the European powers could not be obtained and the loan could not be raised. I then proposed a loan of \$1,500,000 for the settlement of the refugees on the land, provided that the Armenian Government could find means to irrigate it. But even this proposal was rejected by the Entente Powers. The Armenians in Europe and America, however, promised to give \$500,000; the German Government, which had no obligations toward the Armenians, promised a credit of \$250,000, and the governments of Greece, Luxemburg, Norway and Rumania offered smaller contributions. It is now our

intention to try by means of this loan to settle at least some thousand Armenian refugees on newly irrigated land in the Soviet Republic of Armenia, and we hope to be able to make a satisfactory agreement with the Armenian Government for that purpose. It is our hope that, if this first settlement is successful, other countries may come to our aid.

In Syria there are more than 100,000 Armenian refugees who have been in a most destitute condition. In cooperation with the French Government and the local French authorities we are now trying to settle them on the land near the Mediterranean coast, chiefly in a region where there was previously an Armenian and Christian population. Nevertheless, this settlement work cannot be considered as a step toward any definite solution of the Armenian problem, since the refugees are far away from their native land and are surrounded by tribes of a different religion and nationality. But the Armenian refugees had to be saved from starvation, and as there would not have been room for them in the present Soviet Republic of Armenia, they had therefore to be settled and given the means of supporting themselves where they now are.

I have tried to summarize the humanitarian work which we have attempted to carry out during recent years. All these endless, indescribable sufferings are due directly or indirectly to war. Will the peoples of the world awake and see what war is, and if they do, will they ever allow a "next war" to come? If it does come, it will certainly be the end of white civilization.

The Good and Evil of the New Industrialism

By STUART CHASE

AUTHOR OF *The Tragedy of Waste, Men and Machines*, AND OTHER WORKS ON INDUSTRIAL AND SOCIOLOGICAL SUBJECTS

THE machine age has poured a cornucopia of new commodities into our laps; has it made us any happier?

Something not far short of a billion mechanical horses are loose in America today; have they added to the leisure, the culture, the well-being of America, as a civilized community? Civilizations have been reared on agriculture, trade, slavery, sea power, bars of gold, administrative efficiency, loot, conquest. Some of them have reached very noble levels before passing into oblivion. Our civilization stands upon the backs of a billion horses, and while many people have opinions—sometimes violent opinions—nobody knows very clearly whether we have achieved something that is either noble or destined to endure. As Henry Ford rises to proclaim utopia, Oswald Spengler, after stupendous cogitation, writes off Western Civilization as a bad debt. As Charles A. Beard regards a brilliant morning, Austin Freeman fails to note anything save the blackest night.

Indeed there is much to be said on both sides. Watching a tractor save the labor of fifty men; a steam shovel dispensing with picks and shovels and aching backs; a pulmotor bringing a dead man back to life; a silver airplane against a blue sky—one can only rejoice in the utility

and the beauty which the machine has brought. But when one realizes that a fleet of not over 500 of those silvery beauties, each with a bomb suspended beneath it, is readily capable of utterly destroying a civilization, such as that of England, in something like two hours' time; when one views the dour and besotted ugliness of the Pittsburgh industrial district; when one reads of little girls scalped by machinery while working on the night shift in Chinese cotton mills—the hymn of thanksgiving somehow sticks in one's throat.

To assess the gains and losses of our age and attempt to strike the balance, debit or credit, is a task for a congress of the best living minds, fortified by many tall portfolios of facts, together with certain basic data—such as reliable unemployment figures; the trend of mental diseases; the capacity of the human organism to stand repetitive work—which, alas, have never been collected. Only the most reckless of statistical Don Quixotes may rush into the vacuum left in the absence of such a congress. With all due apologies, I hereby rush, without even a Sancho Panza to befriend me. I rush because I am heartily sick of the broadsides of wholesale praise and wholesale blame which have been discharged at mechanical

civilization, broadsides which are too often narrow, opinionated, undocumented and irresponsible. I want to know, item by item, the things which the machine has done to us, and how far they seem to be good or evil things. With these facts in hand, it may be possible to cast a preliminary balance sheet before the congress meets.

EFFECTS MANIFESTLY GOOD

So far as I can ascertain—and I have been working intensively on the problem for many months—the Power Age has brought the following benefits to mankind:

1. The life span of modern peoples has grown longer. The average expectancy of life in America has increased a third in the past two generations because of medical and mechanical controls. We are healthier in all probability than ever before in the history of the race.

2. Higher living standards, in terms of distributed commodities if not of happiness, have been achieved for a larger fraction of the population than has ever before obtained.

3. The shrinkage of space brought about by mechanical devices—railroads, steamships, motor cars, telegraphs, cables, telephones, radios, airplanes—is demonstrating more forcibly every day the essential social and economic unity of the world. While the logic is inevitable, the acceptance thereof is still reasonably remote.

4. Hours of labor are declining.

5. Superstition is declining. The average citizen is somewhat readier to ask, "What makes this thing act the way it does?" rather than fall on his face before unknowable mysteries.

6. Certain machines, particularly the automobile, have tended to promote self-confidence and a sense of

power in persons and classes who might otherwise go timidly to their graves.

7. The mechanical operation of industry is beginning to introduce a system of tests to determine how long a given individual can work without fatigue poisons damaging his output. No other culture ever dreamed of such controls. The process is still in its infancy and further advanced in Europe than in the United States.

8. The machine has broken down class distinctions founded on land ownership and patents of nobility.

9. Even as pure science brought forth applied science, the necessities of industry have stimulated a great variety of researches into the fundamentals of physics and chemistry, thus expanding the limits of human knowledge.

10. Cruelty as a social phenomenon has undoubtedly decreased, while the radius of social sympathy has increased. Who used to weep for famine sufferers in China? Now the cable and the camera bid us weep in short order, a handkerchief in one hand and a checkbook in the other. A citizen of Rome, one suspects, would have regarded the Red Cross as so much moonshine.

The above effects, of course, are not due solely to machinery, but they have made themselves felt concurrently with a tremendous growth in mechanical power, and are linked with it to a greater or lesser degree.

A LIST OF EVILS

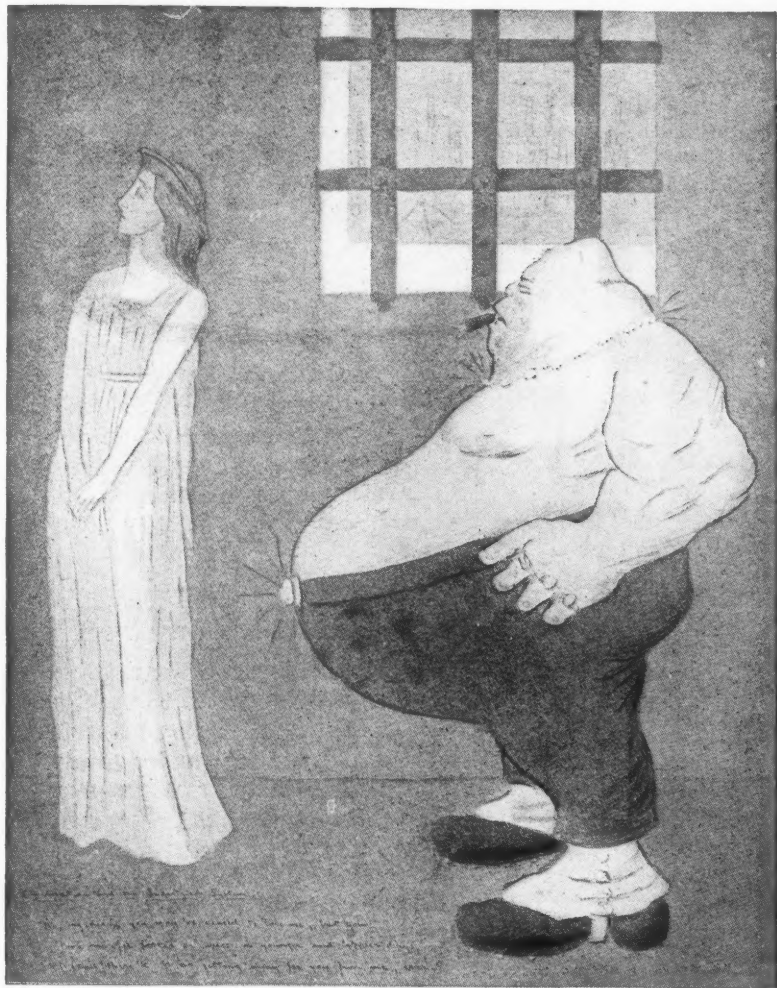
We now turn to manifest evils:

1. The menace of mechanized warfare grows daily more ominous.

2. The tenuousness of connection and balance in the interlocked industrial structure also grows. Any crisis—such as a strike of key technicians, a struggle between rival

groups, a failure in a strategic material—may seriously, perhaps horribly, upset the whole social equilibrium. Technical achievement and

4. Monotony and wearisome repetition in mechanical work, while apparently not on the increase at the present time, has worked frightful



From *Observations*, William Heinemann

"Civilization and the Industrial System," as portrayed by the famous British cartoonist, Max Beerbohm

He: "No, my dear, you may've ceased to love me, but you took me for better or wuss in younger and 'appier days, and there'll be no getting away for you from me, ever"

public ignorance of its implications are tending to move with equal velocity in opposite directions.

3. Natural resources are being exploited at a rate as alarming as it is wasteful.

havoc with millions of human beings temperamentally ill-adjusted to the process.

5. Specialized tasks are sundering the ancient trinity of work, play and art, and thus tending to upset an

admirable, and perhaps biologically necessary, human equation.

6. Machines, like the radio, the phonograph, the moving picture, have forced recreation in the direction of second-hand watching and listening rather than toward the more rewarding forms of active participation.

7. Specialization has enormously promoted the importance of money. This leads to a serious confusion of values, in that the symbol displaces the underlying reality in the average mind.

8. Workmen are displaced by machines faster than they can be absorbed in other occupations, involving a period of greater or lesser unemployment with all its attendant suffering. Many students believe that the process is now so rapid that no new jobs can be found for many of the displaced men, and that unemployment is to assume an uglier aspect than at any time since the industrial revolution began.

9. Modern industry requires more vitality in its workers than was the case in the past, with the result that they are being scrapped at an earlier age with attendant difficulties in meeting the problem of economic survival in their declining years.

10. The existence of more machines than purchasing power to absorb their output has led to the foolish and expensive antics of high-pressure salesmanship, in the course of which the consumer becomes increasingly helpless and confused as, for instance, the tobacco interests warn him against candy and the candy interests against tobacco. This phenomenon has been well termed "the new illiteracy."

11. The increased speed and use of the mechanical process has made for a greater accident rate in the United States since 1920.

12. At the present time industry is clearly overvalued at the expense of agriculture.

13. Mechanization has led to cities so congested that it gives little pleasure for most of us to live in them, or to contemplate what will happen if the pressure becomes much greater.

14. Noise, dust and smoke levy a terrific toll on modern peoples, a toll unknown before Watt.

INTERMINGLED GOOD AND EVIL

Finally, we have a list of effects in which the good and evil are so intermixed that I, for one, cannot be sure where the balance lies:

1. Population has increased and migrated on an unprecedented scale during the course of the industrial revolution. The total number of people in the world has more than doubled in the last century, while the drift to the cities becomes ever more pronounced.

2. The machine has brought community self-sufficiency to an end. The village able to feed, shelter and clothe itself is non-existent in America. This makes for greater productive efficiency when everything is going well and for greater social disaster when everything is going ill.

3. Machines uproot old skills, but create many new ones—those of the chauffeur, air pilot, "steel bird," machinist, locomotive engineer—a long, long list. Are the new skills as rewarding as the old?

4. The machine has deprived the housewife of her skills and substituted bridge, shopping and culture clubs—a manifest loss. It has at the same time launched the whole phenomenon of economic independence and equality for woman—in my opinion, a manifest gain.

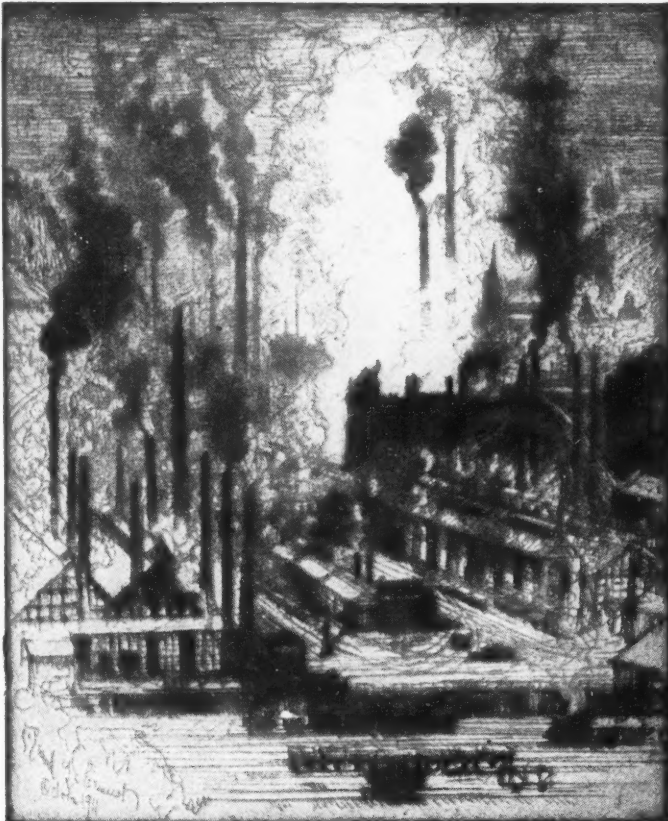
5. The Power Age has broken up the *mores* of the family, marriage,

sex and religion, to a marked degree. This is a painful process, but perhaps invigorating in the end.

6. The machine has ruthlessly destroyed a whole age of art, but is

hand experience, as did the guild apprentice. This divorces us from reality but gives us wider scope.

9. Life moves faster than ever it did; there is more to experience and



From *Adventures of an Illustrator*, Little Brown

A gun factory. From an etching by Joseph Pennell

busy creating a new age, which in architecture, engineering and design has already achieved great distinction.

7. The machine has debased the quality of many goods, but improved the quality of others. Much fine workmanship—say, that which goes into an ocean liner—is impossible without machinery.

8. We tend to draw on knowledge increasingly from written documents and decreasingly from first-

rather less emotional ability with which to experience it.

10. When the workman left his cottage for the factory he lost his economic independence. He gave up his own tools and operated tools owned by somebody else. So long as the force which owns the factory has no interest in labor, save as a commodity, the workman is distinctly worse off. If, however, the force—as is now the case in Russia and among certain employers elsewhere

—regards the workman as a human being for whose benefit the wheels of industry are principally turning, he may well stand to gain far more than he has lost. Goods can be produced with less labor by the machine, and in no other way can his standard of living be markedly increased.

With these specific results before us, can we hope to pass judgment on the net impact of machinery on civilization in the 150 years that have passed since James Watt stopped in his walk on Glasgow Green one Sunday afternoon and smiled, because the solution of the problem of the vacuum in a steam engine had come to him? The reader will have to strike his own balance, but as I study the schedules it seems to me that to date the machine has brought more woe than it has happiness, and that the cause of civilization in its noblest sense has not been materially advanced.

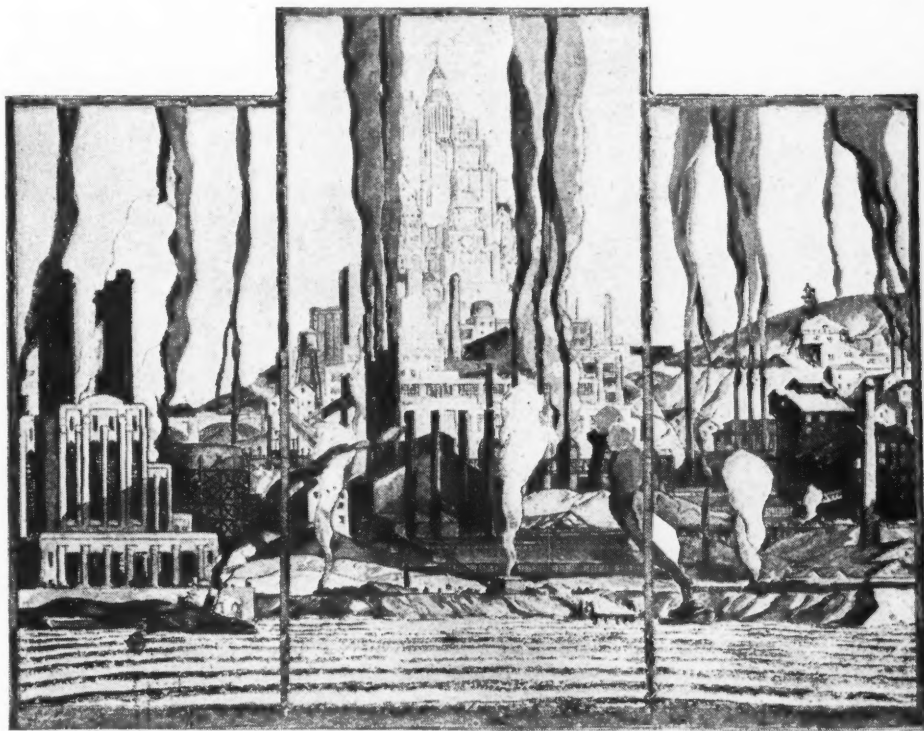
When one looks at the ravages of the World War, the desolating ugliness of most industrial districts, the monotonous dreariness of much factory work, the vast train of misery which flows from technological unemployment, the unrewarding nature of mechanized recreation, the chaos into which our religious and ethical standards have been cast by the pressure of modern industry—these things overbalance, for the day-by-day life of the average human being, the gains of a greater flood of commodities, a somewhat lopsided prosperity, a lifting of back-breaking toil in certain areas, a decline in illiteracy and a truly splendid advance in science and applied technology. The margin may not be wide, but I believe it can only be recorded in red figures. If by some divine fiat the America of 1929 were made static for a century, with

no prospect of change, I, for one, would be glad to go back to the Newburyport of my great-great-grandfather, living out my life without benefit of power engines. Most thoughtful persons would prefer any of a dozen former civilizations to the modern world were it to be frozen in its existing form.

THE UPWARD TREND

This choice is a purely academic one, however. There is not the slightest possibility of our age remaining static. Technology is in a fury of change, and civilization, willy-nilly, must change with it. The real question, as against the academic one, is whether the forces we now see at work are destined to make for a higher or a lower form of civilization. Again, as I study the schedules, I believe that the direction is up rather than down. If certain outstanding dangers can be mitigated, there is good reason to hope that in another generation—perhaps in another decade—the gains will outdistance the losses, and the balance swing from red to black. As in some diseases, it seems to be a case of getting worse before getting better. The introduction of machinery into a given culture, whether it be English, American, German or Japanese, is the cause for a violent internal pain and a great deal of human suffering. But we have already had years enough behind us to see that the condition is not necessarily permanent; that it is possible to live in some sort of domestic accord with the billion horses; that, as the decades march, the adjustment improves. The curve has not yet reached the level of certain former civilizations measured in terms of leisure, culture and happiness, but it is going up.

I believe that it will continue to



Courtesy of Power

go up until we cross all earlier lines and stand surrounded by the noblest civilization which the world has ever seen—*provided the menaces can be controlled*. Failing that control, we may go down in an equally spectacular collapse.

The outstanding menace is, of course, that of mechanized warfare. When machines are already available in a hundred airports to abolish England or France or the eastern seaboard of the United States, in a few hours' time, it borders on futility to talk of upward curves and shining futures. If a few stupid politicians can, on nearly any bright morning, give the word to a handful of hot-headed boys to blow the world to bits, progress and the hope of progress becomes the watering of a rose garden on the brink of a volcano. If mechanized warfare is not abolished before the next major out-

break of hostilities, mechanical civilization becomes the most colossal liability *homo sapiens* ever blundered into.

Secondly, intelligent control must be exercised in coordinating the proliferating specialization of the modern world. Cities are becoming too large, too congested, exhibiting too many exposed nerves. Industry is being overweighted at the expense of agriculture, ultimately threatening the basis of food supply. Men and women are being educated to perform—often very skillfully—one tiny part of one process in one department of one industry, and losing all sense of contact with the process as a whole. Ways and means must be found to avoid excessive departmentalizing. The billion horses must be guided or they will some day run amuck.

Thirdly, the machine presents a

very serious threat to the earth's store of natural resources. These must be guarded and husbanded up to such time as the technology of substitutes is thoroughly worked out. Otherwise, with oil, or copper, or by-product coal gone, and no substitute available, we shall face a very nasty crisis indeed. It may well be that precisely such a crisis will come in respect to petroleum in the next decade, entailing a staggering human cost.

Finally, we have to reckon, and that immediately, with the growing threat of unemployment. Machines are now displacing men at a fantastic rate. No sooner have the "talkies" undermined the jobs of ten thousand theatre musicians than the teletypesetter threatens the livelihood of thousands of printers. Unless some real constructive action is taken we are liable to be faced, for the first time in the history of the industrial revolution, with a park bench which grows longer and longer. The total firing rate, it is believed, is beginning to exceed the total hiring rate, and, saddest of all, it is the older men who are destined to suffer the most. Owen D. Young has called unemployment the greatest blot on the going economic system, and

further says that while the world does not owe a man a living, business owes a man an opportunity to earn a living.

Business and the State could go far toward ending unemployment if they took Mr. Young's philosophy seriously. What is called for is industrial planning on a continental scale. Half-way measures will do little good. We need initially reliable statistics on unemployment, then a great program of public works, a gradual reduction of working hours (the New York building trades have just won the five-day week, thus joining the 200,000 workers in the country who have already secured it), and lastly a sound program of unemployment insurance for the inevitable margin which will still remain.

If these four menaces—war, overspecialization, failure of natural resources and unemployment—can be held in check, it may well be that we shall find no limit to the greatness of the civilization before us. The penalty of power is the creation of sufficient intelligence to direct it. Most of us are still too busy in our own little backyards to realize the awful magnitude of that challenge.

Effect of Inventions on Industry

By *HIRAM L. JOME*

PROFESSOR OF ECONOMICS, DENISON UNIVERSITY, GRANVILLE, OHIO

Man is not an ox, who, when he has eaten his fill, lies down to chew his cud; he is the daughter of the horse leech, who constantly asks for more.—HENRY GEORGE.

JACOB gave Joseph a fine coat of many colors. Though possessing many coats, the brothers were exceedingly jealous, for they had probably never before seen such a brilliant garment. Why should Joseph be favored with a coat the material in which had cost \$500 per pound? The terms "royal purple" and "born to the purple" have a rich historical significance. Dyestuffs, the product of the Mediterranean mollusc and of the indigo plant, and later of the madder root, the logwood and the cochineal, were extremely precious, and for many centuries were the objects of numerous journeys of exploration. But the mollusc is no more; the indigo plant and the madder root have been superseded by the artificial dyes. The chemist, deriving the identical products from the coal tar, has improved upon nature.

The "creative chemist" and the inventor have proved a boon to mankind, but their work has often aroused storms of protest. They are continuously upsetting the status quo; they jar the smug millions who adore the past; they appal fanatics who look upon innovators as attempting to extend the dominion of man and curtail the domain of God; they threaten labor; they perturb business with the fear of competi-

tion and destruction of present values.

Today silk is being spun from spruce. Will the silk worm join the mollusc and will the cotton plant follow in the path of the indigo? Rayon production in the United States has increased from 6,687,000 pounds in 1917 to more than 97,000,000 in 1928. It is estimated that the 1929 supply will be augmented by 28 per cent. During the period 1913 to 1927 the rayon imports multiplied seven times, in the latter year reaching 16,000,000 pounds, receding to only 13,000,000 in 1928. This decade and a half witnessed only a slight increase in cotton production and almost a tripling of the raw silk imports. Will the rayon finally monopolize the field of textiles?

Some point to the financial difficulties of cotton and silk producers as proof that they are being supplanted. Cash dividends in the New Bedford and Fall River mills have declined during the past seven years. The cotton textile machinery of the United States, running sometimes slightly above and sometimes below a single shift capacity, depending to some extent on the price of the raw material, is able to produce more than the market is ready to absorb. The silk industry operated in 1928 at only 64 per cent of its normal capacity, but the opening of the year 1929 witnessed a revival of manufacturing activity and an increase in imports of raw silk. Rayon

itself has suffered from chaotic price movements, but owing to new uses and improved products, the demand seems to be holding up well. In fact, the price cuts announced early this year, the result, it is stated, of reduced costs and of competition with foreign yarns, may stimulate consumption to such an extent that this year's production will reach 125,000,000 pounds.

It is doubtful if rayon can be blamed for the uncertainty in the textile industry. All raw material industries, inflated during the war, faced problems of readjustment. Since the demand for textiles and related products increased more rapidly than the population, the fundamental difficulty with these industries is not under-consumption but over-expansion. With a sufficient reduction in costs, demand for the finished product would be stimulated.

USES OF RAYON

Although rayon may not supersede either cotton or silk, it has become a very important raw material in certain lines, such as braids and knit and glove silk goods. Without having yet become a perfect textile material, rayon is being very extensively combined with other materials. According to estimates furnished by two of our largest rayon producers, of the total consumption of rayon in the United States in 1928, about 20 per cent was used in hosiery, 20 per cent in cotton goods, 15 per cent in silk goods, 34 per cent in underwear, 3 per cent in other knit goods. Preliminary census statistics for 1927 indicate that out of a total of 110,000,000 dozen pairs of hosiery produced in the United States, only a little more than 1 per cent were all rayon. About 25 per cent of the women's and 36 per cent

of the men's hosiery were rayon mixtures.

MORE SILK USED

Silk garments increased from 344,000 dozen in 1923 to 609,000 in 1925. The census did not list rayon underwear in the former year, but the total for 1925 was 639,000 dozen. The demand for both silk and rayon has been stimulated, but cotton is still predominant. Civilization, however, has its compensations. With the fall in the amount of cotton used in underwear and perhaps in stockings have come offsetting gains. Rayon is made from cotton as well as from spruce. One of the large movie film producers consumes 5,000,000 pounds of cotton a year. Tire manufacturers consumed in 1927 about 220,000,000 pounds, or three times the total rayon production in the United States. The airplane industry also absorbs large quantities of cotton.

Labor unions have generally regarded inventions and labor-saving machinery with suspicion and have either opposed their introduction or have safeguarded their own interests by restrictive measures. A worker with a new machine will produce the same amount of goods in a shorter time than when working with simple tools. Thus, there will be unemployment. The reasoning is wrong. It assumes that the amount of products consumed is to remain constant. By lowering the costs of production, machinery has stimulated the demand for goods and labor. But before such readjustment is complete, there may be a temporary loss to labor. Human wants are capable of unlimited expansion.

The effect of labor-saving machinery upon certain occupations, however, may be detrimental. The

introduction of the glass-blowing machine has increased the output per man in the blowing of four-ounce prescription bottles more than forty-one times. The demand for bottles has not kept pace with the consequent lowering of costs and thus labor displacement has occurred. In the manufacture of electric light bulbs the increase has been thirty-one times. Other more important but less striking illustrations are furnished by the rubber tire, automobile, petroleum, railroad, tobacco, chemical products, metal products, iron and steel and cement industries. In rubber tires, for instance, the hourly output of a worker was 311 per cent greater in 1925 than in 1914.

While industrial production increased by more than 182 per cent during the period 1899 to 1927, the number of workers was augmented by only 86 per cent. The amount of machinery — "primary horse power"—used, increased by 287 per cent. The total output per worker rose by approximately 50 per cent. The continuance of this increasing productivity of labor seems to be the main cause of most of the unemployment at this writing. Such increased output per worker is caused partly by the great use of machinery, partly by improvements in administration. A readjustment may come about through the lowering of the long-time interest rate, thus encouraging people to spend instead of save, the increased adoption of the five-day week, the employment of a portion of the investment surplus in public enterprises, reduced costs of merchandising leading to an increased demand for products, the stimulation of exports of both capital and goods, and, most important of all, the development of new industries and new demands, and the

finding of new uses for present products. In short, our standard of living will be raised. Even today the average worker is able to buy 43 per cent more with his wage than in 1914.

Numerous other illustrations of this principle of the insatiability of human wants may be gleaned from all fields of business. The telegraph, which was invented nearly a century ago, was in wide use at the advent of the telephone. The telegraph interests were at first very much afraid of the new means of communication. They feared that the telephone would supplant, instead of supplement, the telegraph. This fear was based on the assumption that the demand of the public for communication service would remain constant. Of course, if the number of messages sent by wire remained unchanged, the introduction of the telephone, by taking a portion of this traffic, would decrease the amount going to the telegraph companies.

TELEPHONES AND TELEGRAPHS

But what has happened? Neither of the two agencies has supplanted the other, but they have supplemented each other. Communication by wire has been popularized. People send more and longer messages. The total operating revenues of the American Telephone and Telegraph Company and its associated corporations ranged from \$295,000,000 in 1917 to \$823,000,000 in 1926, while the combined revenues of the Western Union and the Postal Telegraph increased from \$70,000,000 to \$130,000,000 in the same period. There are about 19,000,000 telephones in use in the United States, by means of which it has been estimated that almost twenty-four billion telephone conversations were

completed in 1928, or a little more than 200 per capita. The per capita figure for 1924 is 191. The per capita number of telegrams sent by the American people has also greatly increased.

From a study of the telephone and telegraph statistics the following conclusions may be drawn:

1. The income of each public utility has increased, though the telephone companies have made the greater progress. This is because it is possible to operate the telephone in individual homes and offices. The annual increase in the number of telephones in the United States is in the vicinity of 850,000, or approximately the total number of telephones found in France. In 1900 we had one telephone for each ninety persons, in 1927 one for each six and one-half.

2. For shorter inter-city traffic and to a slight extent in the case of messages even up to 3,000 miles, the telephone has taken business from the telegraph. Of the 23,500,000,000 telephone messages in 1926, about 860,000,000 were toll or long distance. Some of these would undoubtedly have been sent by telegraph. But the convenience of the long-distance telephone tends to stimulate inter-city communication. The proportion of toll or long-distance messages has almost doubled since 1900. Furthermore, the expansion of the telephone has usually been into virgin fields which could not be exploited by the telegraph.

3. Both the telephone and the telegraph have facilitated and encouraged the use of the other. For instance, telegrams are often received and delivered by telephone.

The telegraph and the cable were firmly entrenched when the wireless was introduced. The cable, especially, was so fearful of the innova-

tion that Marconi's successful transatlantic experiment in 1901 caused a sharp fall in the prices of cable stocks. But the market soon recovered and today it is seen that there is room for both these agencies of communication. Between 1910 and 1928 both greatly increased their revenues. The Radio Corporation of America, operating in conjunction with foreign governments and companies, supplies a link in a continually expanding intercontinental radio service. Before 1919 transoceanic radio was inadequate and unsatisfactory. The severe competition, if such it may be called, between the radio and the cable began, therefore, in that year, showing itself in the lowering of cable rates and some diversion of traffic. But the prices of cable stocks increased between 1919 and 1927. The amount of transatlantic and transpacific traffic has greatly increased, and both types of communication companies have prospered and expanded their facilities. The cable companies are showing some tendency to enter the radio telegraphic field. A merger between the British cable and radio interests was recently announced.

GAS AND ELECTRICITY

There was an early conflict between gas and electricity. Gas was originally used mainly for heating and illumination and only slightly for industrial purposes. Eighty-seven per cent of the artificial gas sales in the year 1898 were for lighting. When electricity was introduced the gas interests were fearful lest this new competitor destroy the best of their market. It is true that electric power companies have steadily deprived them of their sale of gas for illumination purposes. At the opening of the twentieth century,

gas lighting was very common and electricity was supplied to only relatively few communities. Today the latter has pushed out the former as the main type of lighting in urban communities. But have the gas companies suffered harm? No, for the main use of gas today is industrial and domestic heating and cooking. Furthermore, the popularization of electricity forced improvements in the gas service, such as better lamps and more efficient and cheaper methods of production, thus causing a reversion in some cities and villages to a higher grade gas lighting, especially for municipal purposes. The sales of manufactured gas increased from 100,000,000,000 cubic feet in 1900 to 387,000,000,000 in 1923, 421,000,000,000 in 1925 and to 495,000,000,000 in 1928. There are now 11,800,000 gas meters in use in the United States, serving almost one-half of the population. The gross income of electric light and power companies has increased from \$85,000,000 in 1902 to well over \$1,500,000,000 in 1926.

Our light and power consumers total about 20,000,000, a large proportion of whom is included in the 11,000,000 users of gas. The annual consumption of electric power increased by 600 per cent from 1912 to 1928, a period during which the population grew by only 25 per cent. Sixty per cent of our people live in electrically lighted homes. The alliance between these two fields is indicated by the fact that in many communities gas and electric power are furnished by the same company.

PHONOGRAPH AND RADIO

Radio-telephonic broadcasting and the phonograph have often been regarded as engaged in conflict. The talking machine industry undoubtedly entered a slump with the be-

ginning of the general business depression of 1920 and 1921. The fall in the number of phonograph records and blanks lagged behind the slump in the total value and the number of phonographs, indicating that people continued to purchase new records, but to use them largely on old machines. The severe depression in the talking machine industry did not occur until after 1923, the number of machines and records produced decreasing from 1923 to 1925 by 36 per cent and 16 per cent respectively. The great vogue of the radio did not begin until 1924. Since the phonograph industry had already been adversely affected by business conditions and received another setback, just when it was about to recover, we may be justified in fastening part of the blame at least on the radio.

The introduction of the radio, however, was not an unmixed evil. The talking machine industry had been smugly complacent. Fear of the radio stimulated research, leading to great improvements. One company spent \$1,000,000 in 1926 in abandoning old models and developing new instruments and processes. Furthermore, an impetus was given to an alliance between the phonograph and radio industries, an alliance justified by similarity in the manufacturing processes and evidenced by the tendency on the part of talking machine companies to enter the new field. More than one-third of the establishments lost to the industry between 1923 and 1925 entered other fields, probably radio. Among the phonograph companies several are now engaged in the manufacture of loud-speakers, panels, combination radio and talking machine sets, and the like. According to the United States Census Bureau, the talking machine com-

panies in 1925 manufactured miscellaneous products (chiefly radio) to the amount of more than \$5,000,000, as compared with not quite \$2,000,000 in 1923.

By stimulating the interest in music, the radio not only benefits itself but helps to increase the sale of permanent records. The year 1927 witnessed a great increase in the production of both records and phonographs. The appearance of radio artists has apparently created a new demand. It seems, however, that the radio has harmed the sale of pianos, the production of which fell off 29 per cent in 1927 from the total in 1925. The production of organs and of sheet music showed a pronounced increase during the biennium.

The motion picture recently passed its thirtieth anniversary by becoming a billion-and-a-half-dollar industry, and with the coming of the "talkies" has entered upon a new phase of development, which it is too early to estimate. Seven million patrons daily attend the 20,500 motion-picture theatres, paying \$2,000,000 in admissions. What is the effect of this "amusement octopus" upon the legitimate stage? Here we seem to find the principle of displacement operating. While the number of moving-picture houses has doubled in the last ten years, the number of legitimate theatres has fallen from 1,500 to 500, and while a theatre manager a decade ago had a choice of seventy to eighty road shows, he now must pick from seven or eight. The spoken drama has almost disappeared in all but the large cities, though there are some managers in smaller cities (included in the 500 above) who will present an occasional play or opera even at a loss.

The recent tendency of dissatisfaction with moving pictures, which

the "talkies" are seeking to cope with has also been to a certain extent responsible for the remarkable growth of what is called the little theatre movement and of amateur dramatic organizations, which now probably number about 3,000. Further, the stock company, which was nearly dead five years ago, has begun to revive in cities and towns throughout the country. Though statistics are not available, legitimate theatres have increased of late in the large cities, New York alone now having eighty first-class playhouses, more than any other city in the world, while in a number of places a decrease in the number of motion-picture houses has been noted. Figures issued by the Department of Commerce show that the establishments engaged primarily in the manufacture of theatrical scenery and stage equipment in 1927 reported products valued at \$5,745,472, an increase of 60.6 per cent as compared with \$3,578,210 in 1925.

CHANGES IN TRANSPORTATION

The effect of the motor carrier and the private automobile on the steam and electric railway may be briefly summarized:

1. Since both the private automobile and the bus and truck are adapted to short hauls, the electric railway, which specializes in this field, has been particularly injured by the new competition. Electric railways, numbering 212 and comprising about two-thirds of the total facilities, carried about 9,500,000 passengers in 1926, as compared with 9,400,000 in 1924, a rate of increase much smaller than the growth of population. In 1927 and 1928 this figure fell to 9,394,320,000 and 8,768,040,000, respectively. The 260 electric railways reporting to the Interstate Commerce Commis-

sion paid in 1925 an average dividend of 2.5 per cent. (This compares with 4.35 per cent for steam railways.) Only forty-seven of these electric companies paid dividends on their common stock and 128 of the companies reported a deficit in 1925. A total of 110 companies had gone out of the electric railway business from 1917 to 1927.

2. The street railway in the larger city is in a stronger position than that in the smaller community. A survey of Detroit covering twenty-seven of the largest downtown stores showed that out of 200,000 customers 110,000 used the street cars and 48,000 the buses. A similar situation in Chicago resulted in an ordinance being passed restricting parking of cars in the Loop. Furthermore, it is extremely doubtful if, with the prevalent flat fare system, city buses can operate at a profit on a run of more than five miles.

3. Since the buses and trucks have the advantage of frequency of service and the ability to call at the customer's place of business, both the steam railroads and the interurbans are also losing a great portion of their light freight, milk and less-than-carload-lot traffic. Numerous witnesses at the investigation by the Interstate Commerce Commission (I. C. C. Docket 18,300) testify to this condition.

4. The steam railroads have also lost a great portion of their local business. Though they appear to be retaining their commuter traffic, the steam railroad companies haul their trains further and carry fewer passengers than in 1924. A representative of the New York, New Haven & Hartford, a railroad especially susceptible to motor and bus competition, reported at the Interstate Commerce Commission

hearings that the average length of passenger haul on his road had increased from 1910 to 1925 by 64 per cent, 129 per cent and 75 per cent on the local, interline and combined hauls respectively. The average journey per passenger for American railroads has increased from thirty-three miles in 1913 to forty-one miles in 1927. This helps explain the fact that English railroads are more seriously affected by automobile and bus competition than are the American railroads.

5. While the railroads are in some ways harmed by motor transportation, they are also benefited. The automobile industry employs directly and indirectly more than 4,000,000 workers. The motor vehicle has occasioned a huge business in oil, gas and other materials, arising from its use, amounting in 1927 to 3,125,000 carloads, or about 6 per cent of the total freight hauled. On the other hand, of course, the amount of hay hauled has decreased. Much of their local freight and passenger traffic has proved to be unprofitable, and the railroads are now given a chance to curtail or altogether eliminate this service. The electric railways naturally have very few of these compensating benefits.

6. The greatest proportion of the traffic handled by motor carriers and private automobiles is new traffic. By crowding five in a car, the entire population of the United States could take a ride at the same time. People now ride who formerly walked or remained at home. Every man, woman and child averages 500 rides per year, 130 of which are furnished by the steam and electric railways. A writer in the March, 1927, supplement of the *American Economic Review* cites the fact that "there are some 45,000

communities in the United States which have no other forms of transportation at their service than the motor vehicle." Buses are often crowded where passenger coaches were almost unoccupied. Then, too, on account of parking difficulties and traffic congestion we may expect an increasing number of people to leave their cars at home and ride the bus or railway on their business or shopping trips. In 1926, according to figures announced by the Automobile Chamber of Commerce, buses carried 2,100,000,000 passengers on scheduled routes. This is more than double the maximum number of persons carried by our steam roads and less than one-sixth of the total electric railway traffic.

7. The electric and steam railway interests operated in 1928 more than 9,000 motor buses. Some of these are used for competitive purposes, others are feeders; some are employed for delivery and collection, others to supplant the unprofitable local trains.

In most of the instances cited, the conclusion has been reached that the introduction of a new agency, far from destroying the old, has stimulated the demand for the services of both. Each is found to be specially adapted to some particular field. To refer to a rather new development, that of commercial air transport, the airplane will never destroy the railway or the steamship. But for the hauling of mail and valuable freight and express, such as the precious metals and checks and commercial paper in large denominations, and of passengers who are willing to pay for the saving in time, the airplane will undoubtedly encroach on the railroad, especially where the distances are sufficient to justify such air traffic and where there is a real saving of business

time. The dirigible will also compete with the steamship in certain fields. Each of these agencies will find its appropriate place in our transportation system, and in the future they will supplement, not supplant, each other.

The principle seems to be that if the old agency is unable to handle the actual or potential demand for its services and at the same time is essentially inferior to the new, then the new will supersede the old. To illustrate, the old system of typesetting by hand was supplanted by the linotype machine, the natural dyes by the science of the chemist, the buggy by the automobile, the stage coach by the railroad, not only because of their essential inferiority but because of the fact that they could not begin to satisfy the demand for their products or services.

According to a census bulletin released on May 4, 1927, the physical volume of production for the United States increased from 1899 to 1925 by almost 180 per cent. During the same period our population increased by only 55 per cent. Applying these figures, it will be noted that the per capita consumption of the American people was about 80 per cent greater than in 1899. To quote from the bulletin: "The most striking rates of increase have occurred in those industries making goods which are primarily for recreation and diversion, or which have brought about radical changes in manner of living—automobiles, phonographs, electric appliances, silk goods, cigarettes and the like. Other industries which show increases more than the average are those affected by the increasing mechanization of production—factory-made articles formerly produced in the home or small shops and factory machinery and equipment."

Armed Merchantmen a Factor in Naval Warfare

By A. B. SEAMANS

EVEN if navies were abolished supremacy at sea can still be fought for and secured by whatever nation possesses the greatest maritime power. This is possible by arming merchantmen to control the oceans; every fast liner would then be an embryo cruiser, every motorboat a potential torpedo carrier.

Since man first fought on the sea, he has armed his merchant marine. Until the reign of Henry VIII England depended for defense solely upon its shipping, hastily improvised into men-of-war by erecting "forecastles" and "sterncastles" bearing the soldiers and armament, while the merchant crews sailed the vessel into action. At times, as during the World War, when the Allies armed against U-boats, nearly all vessels were equipped to resist attack. Such was the position of Spanish galleons when buccaneers infested the trade lanes. The privateers, playing so important a rôle in the Revolution and War of 1812, were armed traders, which constituted the bulk of the Colonial navy in the early Revolution.

Fighting machines have become vast, complicated, expensive, but despite the best weapons science can perfect, the warrior is inflicting a smaller ratio of mortality on the enemy than did his forefathers with their crude devices. This is simply a result of the specialization in

battlecraft that has brought greater protection to the crews. At Lapanto in 1571 the victorious Allies lost 7,500 out of 28,000 fighting men, nearly 25 per cent. The Moslems, suffering complete defeat, are believed to have had 20,000 casualties, perhaps half their number, for their fleet carried 25,000 soldiers besides slaves and sailors. The Spanish Armada, sailing in 1588 with 39,450 men, returned with not more than a third, a loss of 66 per cent. One of the most stubbornly contested sea fights of history was waged in 1758 between the *Thurloe* of the American Colonies and *Les Dieux Amis* of France. For two hours the crews struggled; then the Frenchman struck his flag, having lost more than 80 men out of 98. Twelve were killed and 25 wounded among 84 on the *Thurloe*. The British schooner *Domincia* fought the United States privateer *Decatur* in 1812, surrendering after 13 men had been killed and 47 wounded, a total of 60 in a crew of 77. The *Decatur's* complement, variously reported as 103 and 122, lost 3 killed and 15 wounded. In 1898 the United States destroyed the Spanish squadron at Santiago. Of some 2,300 sailors on the six Spanish vessels less than 350 perished and total losses amounted to 23 per cent. The United States squadron had one man killed. Of the 60,000 British who went into action at Jutland

6,607 were killed, wounded or missing, almost 10 per cent. The German fleet, with a personnel of 45,000, lost 3,039.

In the days when sailing ships fought, engagements took place at point blank range, and the ratio of hits was higher per 100 shots fired. Often commanders laid their vessels rail to rail. Today the greater weight of metal thrown seems to be offset by the extreme range and imperfect vision. At Santiago the Americans fired more than 6,000 projectiles, great and small, to score 123 hits, or some two in every 100 rounds. The Germans, leading exponents of the torpedo, launched more than 100 of them at Jutland and struck one target.

CIVIL WAR NAVIES

When civil war menaced the United States, the Federal Government had only three fighting ships available on the North Atlantic coast. At once the Navy Department began augmenting its fleet by purchases from private owners. Numerous light-draught vessels, even tugs and ferryboats, were taken over, armed and sent south to blockade or carry the war into the secession States via the lagoons and rivers that indented the coast. So hard pressed was the government for bottoms that canal barges were employed as storeships. The flotilla dispatched against Pamlico Sound in one of the early expeditions was composed almost entirely of commercial boats. Seventeen makeshift "gunboats" attacked the Confederate works, and despite the unmilitary nature of the craft, the commander's report to the Secretary of the Navy showed only 6 killed, 17 wounded and 2 missing. One of the most efficient gunboats on the Mississippi was a converted

wrecker remodeled into the ironclad Benton.

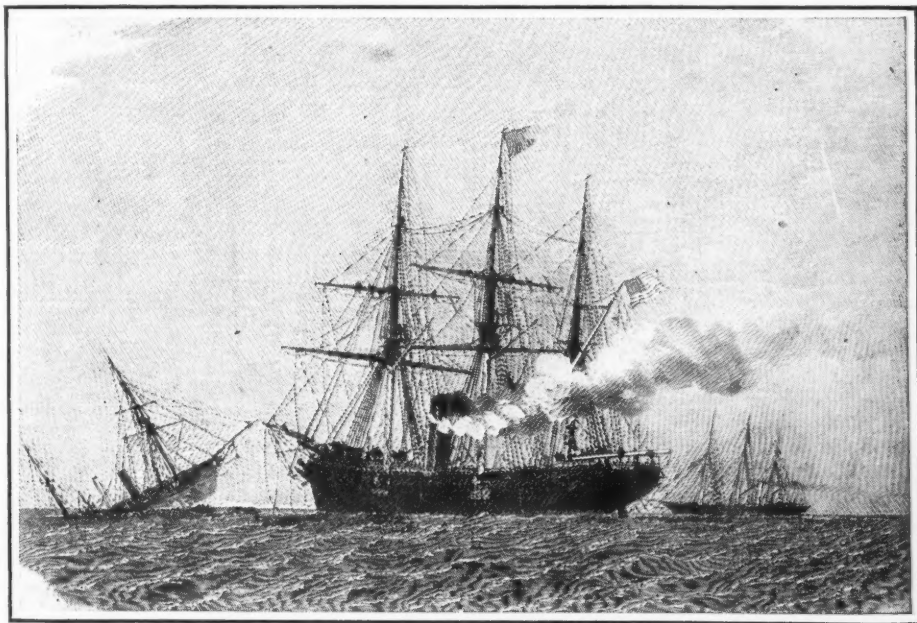
The Confederate States adopted similar means to improvise a fleet. River boats and merchantmen were incorporated and a few purchases made abroad. The South's most famous raider, the Shenandoah, had been engaged in the East Indies trade under the name of Sea King. The raider Sumter, nearly as well known to history as the defeated Alabama, was before being purchased the steamship Habana of the New York-Cuba route.

The only encounter between ships in the Russo-Turkish War produced a heroic merchantman, the Russian Vesta—the world's first auxiliary cruiser, a new naval unit born of the age of steam. Russia had purchased nineteen steamers to augment its naval establishment, employing them largely as convoys for torpedo craft, and when, on July 23, 1877, the Vesta, a screw steamer of 1,800 tons, was pursued by the Turkish Assar-i-Chevet, a regular war vessel of 2,000 tons, speedy, well-armed and heavily armored, the Vesta should have, in theory at least, been destroyed. But in the construction of the Turkish warship there was a serious omission. Not one of its guns would bear directly forward. The Russian, consequently, tried to keep dead ahead, but here the superior speed of the Turk soon threatened to conclude the pursuit with the ram. The Vesta's fate seemed sealed when a lucky shot struck the Turk's conning tower and the ironclad gave up the chase. Auxiliary cruisers took a leading rôle in the Russian torpedo attacks that marked this war. The Grand Duke Constantine, carrying six torpedoboats swung on davits, mothered her flotilla in assaults upon the Turkish squadron in the Danube

and Batun harbor, during one of which the second automotive torpedo used in action was fired.

No more curious assemblage of craft ever went to war than was gathered by the Brazilian Government to subjugate the Mello revolu-

had work to do. Terror inspired by the dynamite gun caused Mello and his crews to desert their ironclads when the motley assortment of armed steamers approached Rio de Janeiro. The rebels left their vessels at anchor and for four hours



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The battle between the Kearsarge and the Alabama, off Cherbourg, during the Civil War. The Alabama is seen at the left, sinking

tion of 1894. The revolt was naval, involving practically the entire Brazilian marine. President Peixoto mobilized his squadron about New York, and excepting one experimental war vessel, Ericsson's submarine gunboat Destroyer, it was made up entirely of commercial or pleasure craft, the latter being yachts converted into the "torpedo boats." The Destroyer was not the only innovation. The principal cruiser, a former Morgan liner, carried as main armament a pneumatic gun to hurl a charge of fifty pounds of dynamite. Five real torpedo boats were added, but none of them

the President's "navy," supported by the forts, bombarded the rebel ships before it was discovered that no one was on board.

The Japanese cruisers that sailed in 1894 to meet the Chinese were accompanied by the Saikio Maru, a little merchant steamer of 600 tons, armed with a few light quickfirers, which played its small part in the Battle of the Yalu. Placed by Admiral Ito at the tail of his line, the officers of the Saikio were advised that they could keep out of the fight, but they took the vessel into action with the others and engaged two burning Chinese craft after the first

onslaught. Pursuing these at some distance from supporting cruisers, the Saikio was set upon by two Chinese gunboats and four torpedo boats. Good work of the gunners, aided by a few long-range shells sent over from the squadron, drove the Chinese off. Her losses were eleven killed and wounded.

THE WAR WITH SPAIN

The wartime use of merchant shipping led to the enrolment by many nations of privately owned steamers as emergency cruisers. In 1898 the United States enumerated twenty-nine such vessels, from the St. Louis and St. Paul of 11,629 tons to the City of Panama of 1,490 tons. In preparation for hostilities with Spain the Navy Department added to these regularly designated auxiliaries a miscellaneous assortment of tugs, private yachts, freighters and coastal passenger carriers. Among them was the Mayflower, classed then as a torpedoboat destroyer, the President's yacht until Mr. Hoover's Administration. J. P. Morgan's Corsair, as the Gloucester, participated in the battle of Santiago. Acquisitions included the El Cid and her dynamite gun, previously mentioned, but known by the Brazilian name of Nictheroy and rechristened Buffalo; seven merchantmen transformed by a few guns into cruisers; fifteen yachts, designated torpedoboats, and eighteen tugs employed as scouts. These were exclusive of the four large and fast American Line Atlantic liners, chartered for the duration of the war. This aggregation of more than fifty sail had a varied armament, ranging from 6-pounders on tugs and smaller yachts to 5-inch guns on the St. Paul, St. Louis, New York and Paris, the last two renamed the Harvard and Yale. Seven—Badger,

Buffalo, Dixie, Panther, Prairie, Yankee and Yosemite—were retained as cruisers for years. The Rainbow, formerly the Norse King, still is on duty as a submarine tender and the Sylph is employed by the Navy Department. The Scorpion, once the yacht Sovereign, was retired from the service in 1927 after twenty-nine years in the navy, nineteen on foreign station, chiefly at Constantinople. No other ship, it is said, ever remained away so long and reached home again.

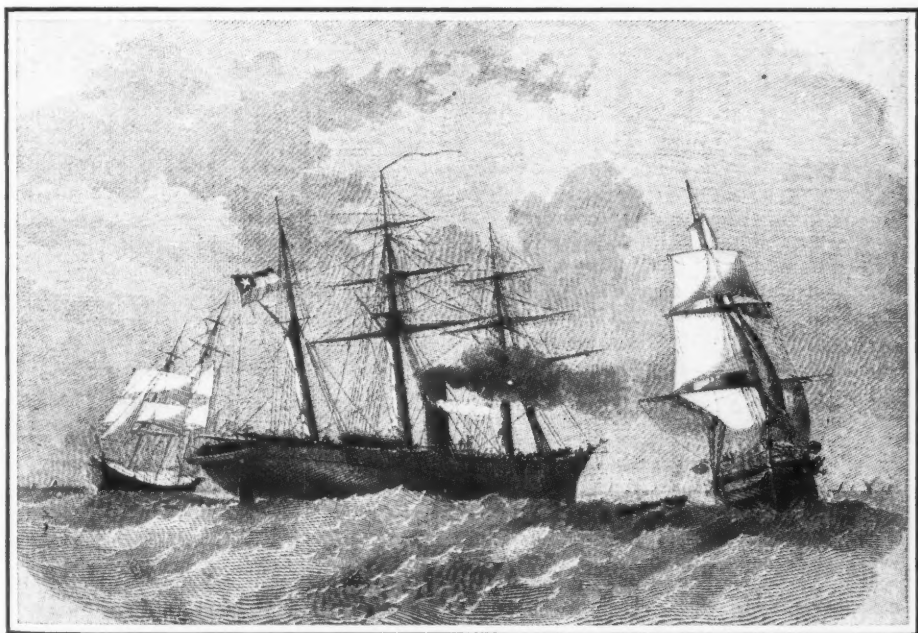
The Scorpion was one of Commodore Schley's four units blockading Cienfuegos when search was first instituted for the Spanish squadron. At the bombardment of the Santiago forts on June 6, 1898, the auxiliaries Yankee, Suwanee and Vixen dashed in close to the batteries. On June 22 the St. Paul engaged and routed the Spanish destroyer Terror and the gunboat Isabel off Porto Rico, and a few days later the Yosemite wrecked one of two gunboats off that port. The Gloucester and Vixen were closest to the harbor entrance when Cervera's ships emerged from Santiago on July 3 and the Gloucester's gunners drove the destroyer Furor upon the rocks. The Vixen was only a converted tug, but went through the entire battle. The Gloucester, standing by to succor the burning Maria Teresa's crew, received the surrender of Admiral Cervera. Without doubt it was the work of these auxiliaries that prompted Admiral Mahan, America's foremost naval strategist, to write: "Much of the duties of this class [cruisers] can be discharged fairly well by purchased vessels, although such will never have the proportion of fighting power which every type of ship of war should possess."

Armed merchantmen were numer-

ous in the Russo-Japanese War of 1904-1905. A Japanese auxiliary cruiser, one of the outer scouts, gave first warning of Rojestvensky's approach on the morning of the Battle of Tsu Shima, at which Russian sea power was destroyed. This little craft broke through the morning fog almost upon the enemy before either was aware of the other's presence.

At the outbreak of the war the Russians converted several large liners which were employed in Eastern waters or combed the oceans for Japanese commerce. One of them, the *Lena*, 10,225 tons, was interned

proached Tsu Shima Straits, the *Ural* was detailed as one of three advanced scouts, her post being ahead of the starboard line of battleships. She had plied the Atlantic as a German liner under the name *Konigin Maria Theresa*, and had been purchased by Russia for the war. Her fortunes in the battle were little different from other Russian light ships. At dawn Admiral Rojestvensky recalled the scouts and sent them to the rear, two other cruisers that had been on either flank holding on ahead. It was the *Ural*, perhaps from her great height above the water, that first observed the



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The Confederate sloop *Sumter* capturing two Federal merchantmen off Gibraltar during the Civil War

later at San Francisco. The *Ural*, 13,600 tons and twenty knots, carrying eight 4.7-inch guns and eight 12-pounders, accompanied the Baltic fleet on its eastern voyage, performing the duties of a regular cruiser. When the ill-starred divisions ap-

enemy, reporting four strange ships, unrecognizable in the morning mist, passing behind the squadron. Two Japanese cruiser divisions descended upon the Russian rear after the engagement was well under way, and the *Ural* and her consorts went into

action to screen the supply ships massed there. Her high sides and superstructure offered a fine target. Speedily she was riddled. Yet she fared little worse than the cruisers, of which one foundered and two escaped damaged. The Ural's crew deserted her after she had settled low in the water, but she floated until a Japanese battleship passed and sank her with shellfire.

On the eve of the battle the Japanese had six far-flung scouts watching off Tsu Shima, four of them being auxiliaries. They employed converted merchantmen extensively for subsidiary duties, especially as scouts. Five scrutinized sequestered ports for signs of colliers and supply ships awaiting the approaching Baltic fleet, and now one of these, the *Shinano Maru*, was destined to dispatch the first wireless message summoning battlecraft for a great modern engagement. At 5:05 A. M. on May 27, 1905, she reported the Russians entering the strait and the entire Japanese fleet put to sea. The auxiliaries took little active part in the fighting, but they were in at the finish of several Russian iron-clads. Crews of the sinking *Monomach* and Admiral Nakhimoff were rescued by the *Sadu Maru*. The *America Maru* picked up 100 men from the *Svietlana*.

BRITISH RESERVE SHIPS

Achievements of this type of craft in the wars of the '90s influenced nations in employing merchantmen. The British Navy could incorporate the fleet of the Cunard Line, and the *Mauretania* and *Lusitania* flew the blue ensign of the Royal Naval Reserve. French naval returns listed the ships of the *Compagnie Générale Transatlantique* and the *Messageries Maritimes*. Germany likewise made provision to

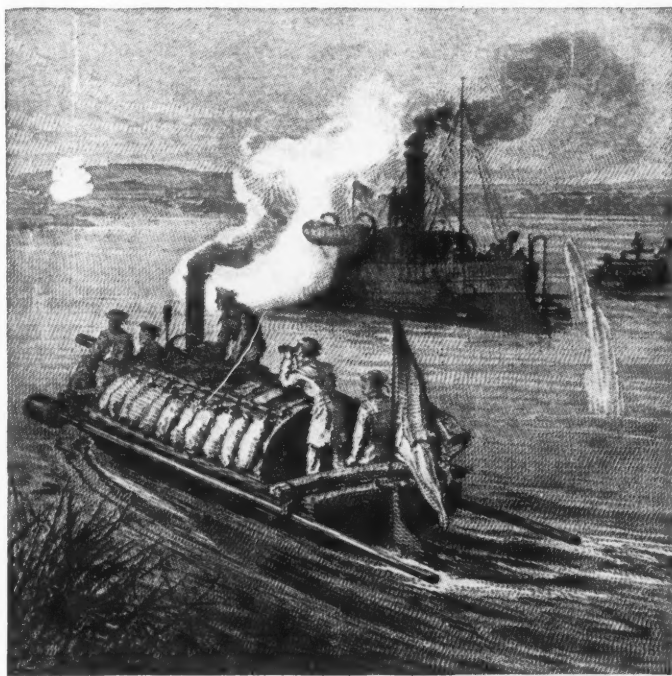
arm its liners; Italy had its subsidized auxiliaries; Russia its "volunteer fleet," including even the vessels of the Black Sea Shipping Company, and the United States, which almost until the World War retained the *Buffalo*, *Panther*, *Dixie* and *Prairie* as cruisers, recognized in the liners of the International Navigation Company and the Pacific Mail Steamship Company emergency ships of war. This practice has continued since the Peace of Versailles.

Mobilizing in 1914, both Allies and Central Powers called into service many classes of shipping. Almost immediately the British Admiralty took over nine liners, and eventually the Tenth Cruiser Squadron, twenty-one units strong, was composed entirely of armed merchantmen whose duty it was to patrol the northern waters to prevent egress of German raiders into the Atlantic around the coast of Scotland. All over the seven seas liners flew the Admiralty ensign and went forth to hunt down raiders, protect commerce, carry on aggression against enemy dominions or join the everlasting search for submarines. By February, 1915, in addition to the Tenth Cruiser Squadron, the British Navy list showed five auxiliaries attached to the North Atlantic patrol, two in Cruiser D force, one with the West Indies command, four in the South Atlantic, one on the west and one on the east coast of Africa, and four, an entire naval division, in the Mediterranean, a total of thirty-nine cruisers.

Early in August, 1914, the *Carmania* joined the British North Atlantic station to aid in chasing German raiders and watch New York, where numerous German liners required constant surveillance. Other auxiliaries were sent to augment station ships as fast as they could

be armed. In the Far East one Peninsula and Oriental and three Canadian Pacific boats were welcome reinforcements. As the war progressed more ships were added, yachts, trawlers and small craft making up the hundreds of vessels

ferryboats, the Daffodil and Iris II, participated as boarding steamers and returned to long years of duty in Liverpool. The Otranto, a merchantman carrying four 4.7-inch guns, was with Rear Admiral Cradock in the disastrous action at



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Russian gunboats and torpedoboats on the Danube during the Russo-Turkish War in 1877

that patrolled the North Sea, the Channel and protected the British coast.

WORLD WAR INNOVATIONS

Shipping provided many of the innovations produced by the war. A Channel packet and the Cunarder Campania were among the world's first airplane carriers. The Ark Royal, still in the British fleet, was converted to airplane uses from a commercial design. The Princess Margaret, mine layer, was a former liner. When the attack was made upon Zeebrugge two side-wheel

Coronel. Realizing that this unarmored vessel was hopeless against the armored Germans, her captain kept to the lee of the cruiser Glasgow and escaped with that sole survivor of the battle. The Otranto continued on active duty throughout the war. One of the scores of yachts on submarine patrol claimed credit for sinking the U-29, which torpedoed the Lusitania. This little craft, the Venetia, was decorated with two stars on her smokestack. Recently she was purchased for use as a private yacht by a wealthy Canadian shipper. Another yacht,

the Triad, employed at the Dardanelles, was the flagship in the Persian Gulf.

The Germans as readily made use of their liners. Several popular Atlantic passenger carriers quickly took on the guise of cruisers and joined the raiders that paralyzed British commerce and kept busy many times their number of Allied war vessels in a world-wide game of hide-and-seek.

GERMAN COMMERCE RAIDER

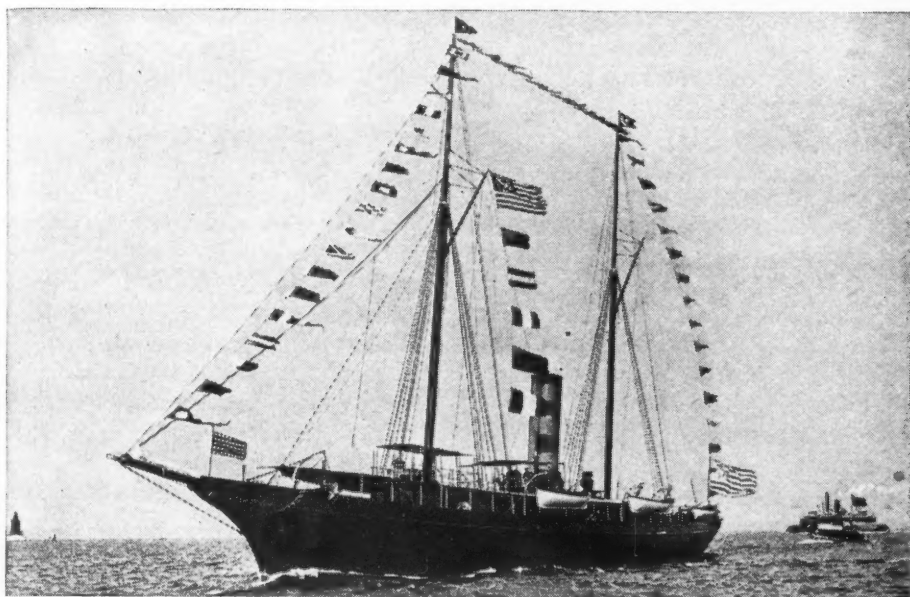
The Kaiser Wilhelm der Grosse of the Norddeutscher Lloyd Company got away from Germany at the outset of hostilities but was at large only until Aug. 26, when the British cruiser Highflyer caught her off the African coast. The Germans refused to surrender, engaging the warship for an hour and a half, when they abandoned the sinking liner and escaped to shore. The Kronprinz Wilhelm, the last German ship to leave New York, met the cruiser Karlsruhe in mid-Atlantic to receive armament. She kept the seas, doing untold damage to Allied commerce, until April 11, 1915, when she eluded a British cruiser cordon and ran into Newport News, Va. The Prinz Eitel Friedrich was armed by Von Spee before the German Admiral left Asiatic waters. The captured Russian volunteer ship Ryasan also was armed and converted into a German raider. The Prinz Eitel had a very interesting career, voyaging from the Indian Ocean across the Pacific, through the South Atlantic and finally into northern waters, where she terminated a cruise of more than half the globe by accepting internment at Newport News.

The Cap Trafalgar, armed at Trinidad by a German gunboat and sent out to prey on commerce, re-

mained at sea till Sept. 14, 1914, when in the South Atlantic she encountered the British armed liner Carmania. Then took place the first actual engagement between two armed merchant vessels, a fight prophetic of future wars if navies were to be abolished. The German was newer and faster, but the Britisher was the more heavily armed. The Cap Trafalgar carried two 4.1-inch guns and six pompoms, or machine guns; the Carmania eight 4.7-inch guns. The battle lasted about an hour and a quarter. The German caught fire forward and received several shots on the water line. Possessing superior speed, she escaped, but the flames soon gaining possession, she was abandoned and went down. The Britisher was hit seventy-nine times. She, too, caught fire, but the flames were quenched after several hours, during which it was necessary to run before the wind to prevent the fire spreading the length of the ship. Meanwhile a wireless brought a cruiser to her aid and she was escorted to the nearest port. The Carmania's casualties were nine killed, twenty-six wounded.

Merchant cruisers fought one of the most determined encounters of the war in the North Sea on Feb. 28, 1916. The raider Greif, on her way from Germany, was stopped by the Alcantara and the two opened fire at short range, the Greif also using torpedoes. The Alcantara was sunk and the Greif's crew forced to their boats, although their ship floated until a British cruiser came up.

Early in 1915 the Germans sent out the Moewe, a merchantman converted into a mine layer and commerce raider, which successfully ran the North Sea blockade and reached the Atlantic. The mines she laid off the British coast accounted for



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J. P. Morgan's yacht Corsair, used by the United States Government during the Spanish-American War (1898)

the only dreadnought lost by the British. She also took a heavy toll of freighters before returning safely to port. The sailing ship *Seeadler*, a captured American windjammer, by the strategy, largely, of her commander, Count von Luckner, accounted for thousands of tons of allied commerce.

A motor boat sank with a torpedo the only dreadnought, the Austrian *Szent Istvan*, to founder in the World War. The stirring feats performed by motor boats resulted in their universal acceptance for coastal defense. *Jane's Fighting Ships* lists 29 for Great Britain, 11 for France, 96 for Italy, 2 for Japan and 2 for the United States, while many small powers are adding them to their navies. The British employed this type against the Bolsheviks, and one was credited with sinking a battleship in an attack made to cripple the Red fleet.

The extensive use of merchant

shipping shows that the demobilization of navies need not deter a nation from warfare if it possesses an efficient merchant marine. The most substantial craft, capable of sustaining the heavier guns, would form its battleships. Fast liners carrying lighter armament would serve as cruisers, and yachts could essay the rôle of destroyers, while motor boats performed the duties of torpedo boats. Even aircraft carriers need not be absent from the squadrons.

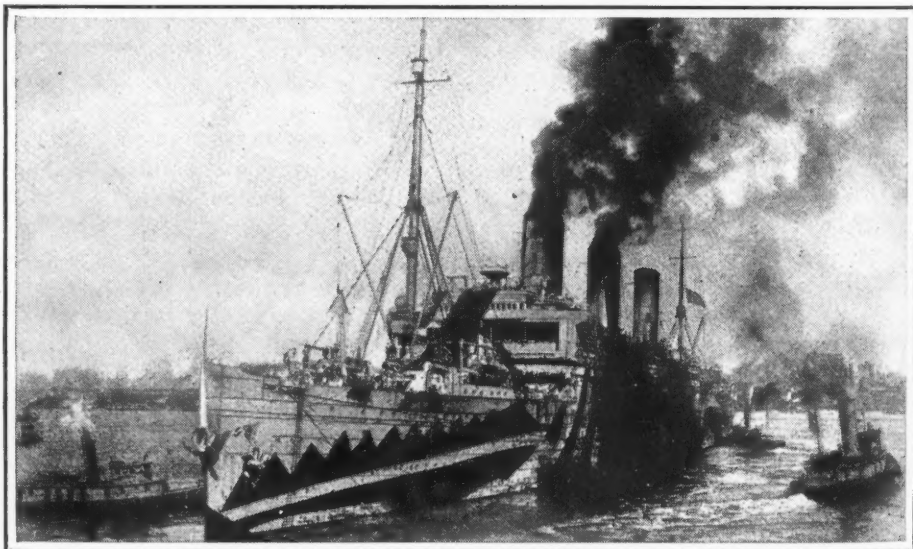
The Washington Treaty of 1922 provides for auxiliary cruisers through acquisition of merchantmen. Article XIV reads: "No preparations shall be made in merchant ships in time of peace for the installation of warlike armament for the purpose of converting such ships into vessels of war other than the necessary stiffening of decks for the mounting of guns not exceeding 6-inch calibre." In his

speech on the tenth anniversary of Armistice Day, former President Coolidge admitted America's lack of merchant ships "capable of mounting 6-inch guns," citing this as one reason why the United States is entitled to a larger number of cruisers.

Under complete disarmament all powers would retain some craft of naval design in the coast guard and fisheries protection services which every nation maintains. Since prohibition the United States is supplied especially well. Recent coast guard creations are of cruiser dimensions. Last year the first of a new series, designed to carry guns, was launched, each of 2,075 tons, 250 feet long and possessing a cruising radius of about 8,000 miles. The three cruisers of the Detroit class that figured in the Spanish war were of only 2,089 tons, and three of Admiral Montojo's so-called cruisers in the Spanish squadron destroyed by Dewey at Manila were more than 900 tons smaller than the new revenue cutters. The Atlantic

division of the Canadian customs last year embraced seven cruising vessels, twenty patrol boats and seven harbor boats with a new 17-knot "cruiser" under way.

If there were no navies, the nation with the most shipping could be queen of the seas. At present Great Britain leads. In 1927 *Lloyd's Register* gave England 10,655 craft, sail, steam and motor, representing 32,174,077 tons. The United States came second with 4,504 vessels, including its Great Lakes fleet, of 14,670,272 tons. Japan stood third with 2,035 ships of 4,033,304 tons, while France, Germany and Norway followed in that order with a difference of only eighty-five craft between them. Italy, Sweden and Holland were close behind. As of June, 1928, *Lloyd's Register* shows that Great Britain possesses 32 per cent of the world's merchant tonnage, United States 17.8 per cent, Japan 6.5 per cent and Germany 6 per cent, an advance to fourth position.



The United States Navy Official Pictures

The Leviathan, the former German liner Vaterland, used with this camouflage as a United States transport during 1918

One-Man Rule in Latin America

By *W. L. SCHURZ*

FORMERLY AMERICAN COMMERCIAL ATTACHE, RIO DE JANEIRO, BRAZIL, AND ECONOMIC ADVISER
TO THE CUBAN GOVERNMENT

PRESIDENT MACHADO of Cuba was recently re-elected as the common choice of the three principal political parties of the country. Since then he has been inaugurated with much pomp and circumstance in the new \$16,000,000 capitol at Havana. Within the same month President Gomez of Venezuela declined the preferred tribute of a fourth term from a Congress that was his own creation. Not yet ready for complete retirement to the peace of his country estate at Maracay, the veteran President agreed to accept the high post of generalissimo of the national army. Thus, under another guise he retains the real substance of power, and is in a position to forestall any reaction against the régime which he took twenty years to build up. These two incidents have again brought to the fore one of the outstanding peculiarities of republican government in Latin America.

To the average outsider the convenient dual formula of revolution and dictatorship explains all the phenomena and circumstances of Latin-American politics. However, the reality is not so simple and there is much less uniformity in the political life of these nineteen whelps of Spain and Portugal than might be imagined. They vary in age and political experience from Argentina to Panama and in spite of Pan-Americanism, the annual celebration of "The Day of the Race," and much

loose talk of solidarity, they differ considerably in the factors, historical, geographical and ethnical, that have modified the effects of their common Iberian heritage.

They are more than a type, for there are well-defined national individualities among them — Brazil, vast lumbering colossus, sprawling over half South America, with a population of 38,000,000 or more, inert, pacific, richest of all undeveloped nations; Argentina, alert, affluent, arrogant, with an urge toward the North that may bode ill for the peace of the continent; Chile, a geographical monstrosity, lonely, militaristic, distrustful and distrusted, fearful of her economic future and worried by an assertive and virile proletariat; Peru, politically ill-balanced and temperamental, weighed down by memories of Hispano-Indian medievalism; Uruguay, white and upstanding; Paraguay, fertile and backward, still recovering from the bloodiest of modern wars; Cuba, sugar and tobacco, light-hearted and youthful, foster-child of the United States; Mexico, the Aztec avenged on the works of his conquerors, the creed of Moscow in the oilfields and mines of the foreigner.

All these nations are not equally Latin-American or Hispanic-American. Some have much more of Rome or of Hispania in them than have others. Much depends on the violence with which they broke away from the mother country, the dura-

tion of the colonial régime and the subsequent relations with the peninsula. Even more it depends on the other ethnic elements that have gone into the make-up of these different peoples. Those elements are Indian in most of the republics—Mexico, the Central American States and the Andean countries. Mestizo, too, are Paraguay, part of the Argentine and Brazil, and the blood of sturdy Araucanian aborigines flows in the veins of the Chilean masses. In the West Indian republics the factor of miscegenation is largely negro, while Brazil also has its negro strain, varying in extent according to the estimates of different authorities. In some countries Germans or Italians have constituted a quota of immigration considerable and potent enough to modify materially the general character of the population.

IDEALISTIC BEGINNING

All the republics began their sovereign existence under an aureole of political idealism. The intellectual leaders of the patriots were steeped in the phrases and theories of the French philosophers of the eighteenth century, and they were familiar with the struggle of the American colonies for independence and for ultimate cohesion and stability, as they also were with the French Revolution. Out of all these ardors and enthusiasms they made constitutions that were beautifully symmetrical and comprehensive. But these constitutions were unworkable, for they took too little account of facts. It was not enough to enshrine Liberty and Democracy in these Olympian documents, for the citizens of the young republics were not ready for the new freedom. Habits of disorder had been bred by the long wars of independence and were to be aggravated by the civil

strife that followed. They were handicapped by the excessive individualism of the Spanish character and by the indiscipline of the mixed breed. Illiteracy was almost universal, save where the teachings of the priests had reached. Furthermore, the lack of internal communications broke up the nations into isolated units, where local patriotisms were engendered and centrifugal forces worked at will to disrupt the creations of the liberators.

Even today detached cities off the railroad are liable to be viewed with chronic alarm from the far-away capital. Places situated like Jaen in Ecuador or Popayán in Colombia make excellent breeding grounds for revolutions. A good-sized local outbreak can be well under way before the central government gets wind of it and can send loyal troops over the mountains to snuff it out. Some Provinces in these republics have as strongly developed local patriotism as have the Spanish kingdoms that have been beaten or married into unity. Of such are Rio Grande do Sul and Sao Paulo in Brazil, Cordoba and Mendoza in the Argentine, Yucatan in Mexico and Antioquia in Colombia. Sao Paulo has a larger and better-trained army than have several Latin-American republics, and she has even gone to the length of putting her State flag over the central banner on schoolhouses and other public buildings.

In lieu of democracy, inert and helpless, the first half century was in general an age of dictatorships, alternating in irregular cycles with the violence of revolutions. The strong man or the astute—the *caudillo* (military leader)—ruled where viceroys and captains general had ruled in the name of a far-away

Continued on page 621

Pictures in Rotogravure

THE NEW GOVERNOR-GENERAL OF THE PHILIPPINES



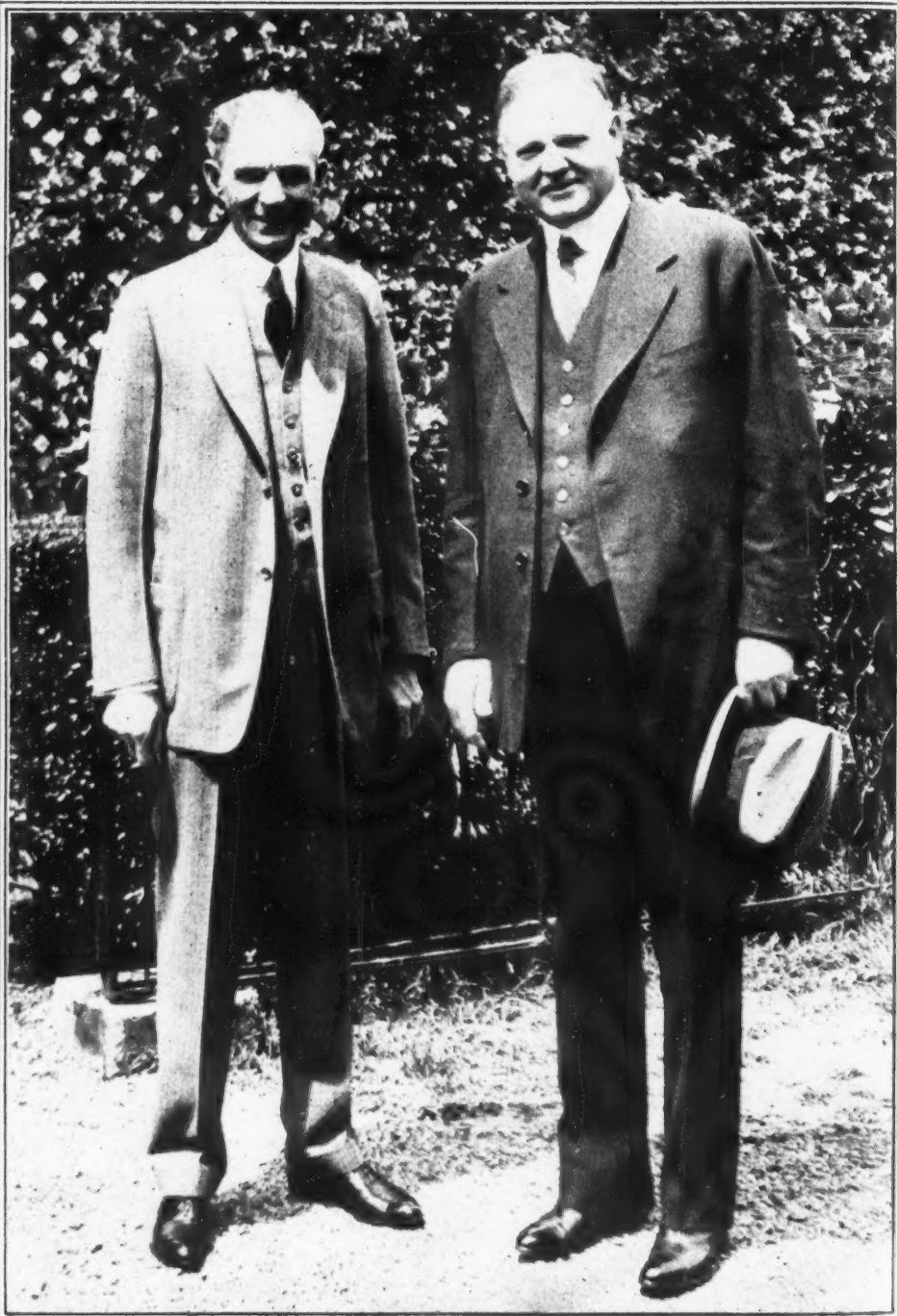
DWIGHT F. DAVIS

Secretary of War under President Coolidge who has been appointed to the Governor Generalship of the Philippines by President Hoover

Bachrach



FIRST IN GOVERNMENT AND INDUSTRY



PRESIDENT HOOVER AND HENRY FORD

Two of the most successful engineers in the United States who recently conferred at the White House

Associated Press

DEATH OF A FORMER BRITISH PRIME MINISTER



THE EARL OF ROSEBERY

Archibald Philip Primrose, who succeeded Gladstone as Liberal Prime Minister in 1894 and who died on May 21, at the age of 82

Jerrard Photo



TO STUDY LAW ENFORCEMENT



PRESIDENT HOOVER'S COMMISSION

Assembled at the White House on May 28 to begin its two-year study of law enforcement in the United States. Left to right, seated: Roscoe Pound; Ada M. Comstock; William D. Mitchell, Attorney General; President Hoover; George W. Wickersham; William S. Kenyon. Left to right, standing: Kenneth R. MacIntosh; Monte M. Lemann; Paul J. McCormack; William J. Grubb; Frank J. Loesch; Newton D. Baker and Henry W. Anderson

Associated Press

HEADS LAW ENFORCEMENT COMMISSION



GEORGE W. WICKERSHAM

United States Attorney General under President Taft. He was appointed chairman of President Hoover's National Law Enforcement Commission

Harris & Ewing



IN MEMORY OF POISON GAS VICTIMS



MONUMENT ERECTED IN FLANDERS

To commemorate the Allied soldiers who succumbed to the first cloud of poison gas used in the World War. It was unveiled exactly fourteen years after the first gas attack

Times Wide World

THE NEW SOLICITOR GENERAL



CHARLES EVANS HUGHES JR.

The successor to Attorney General Mitchell as Solicitor General. Mr. Hughes is the son of President Harding's Secretary of State, who is at present a member of the World Court of International Justice

Associated Press



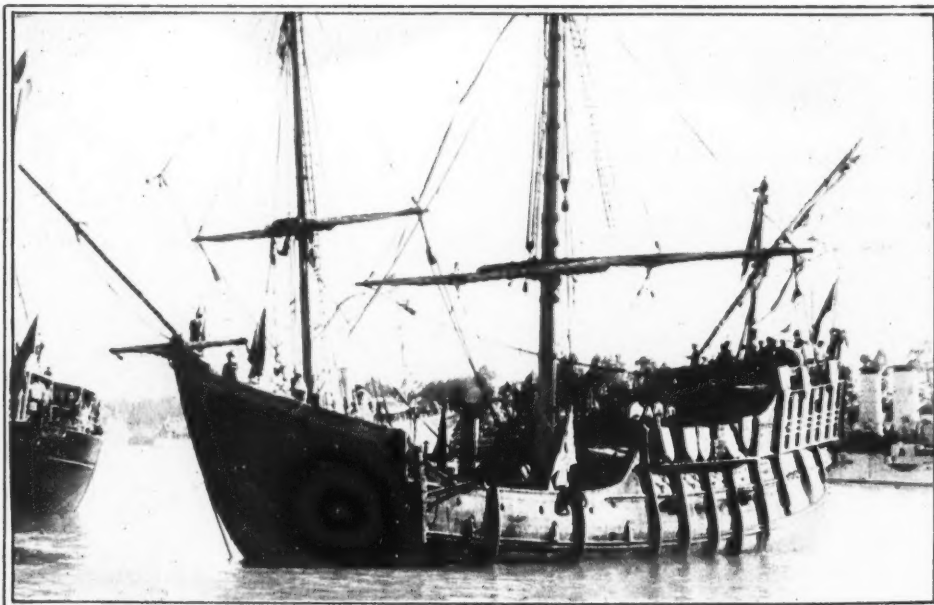
SEVILLE'S SPANISH-AMERICAN EXPOSITION



KING ALFONSO AND QUEEN VICTORIA

The Spanish royal family and representatives of American countries at the opening ceremonies of the exposition in Seville

Times Wide World

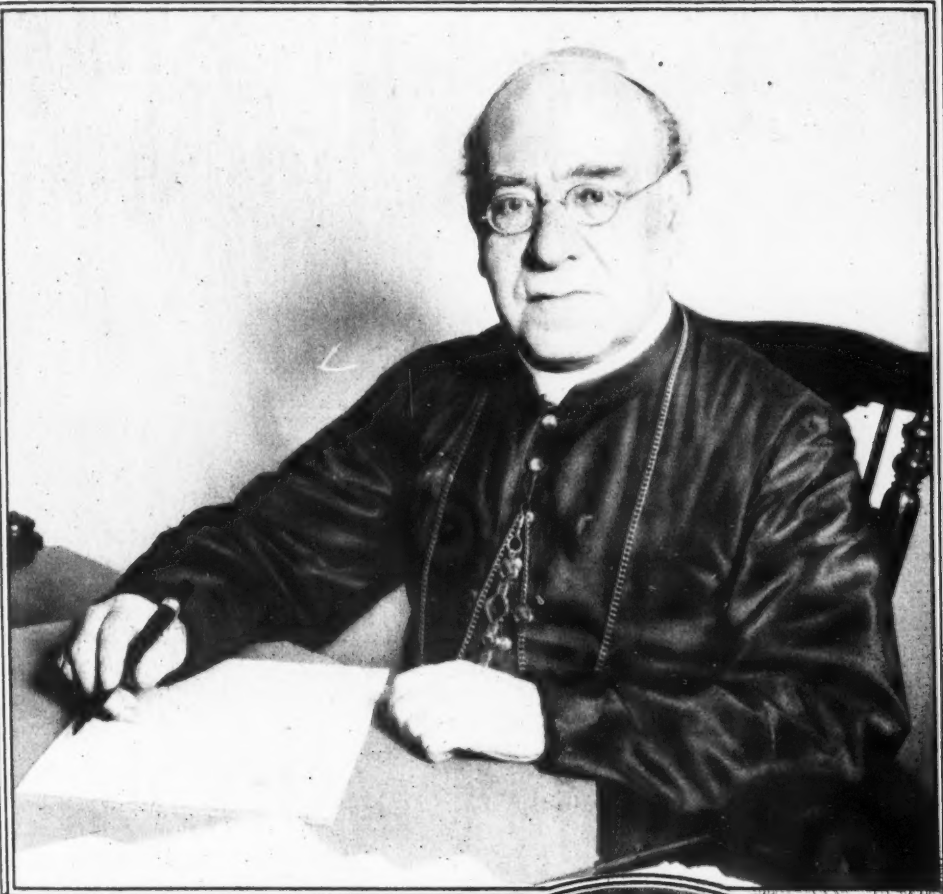


THE SANTA MARIA

An exact, full-size replica of the Spanish galleon in which Columbus made his voyage of discovery in 1492. This model was exhibited in the harbor of Seville.

Associated Press

CHURCH AND STATE IN MEXICO



ARCHBISHOP LEOPOLD Y RUIZ

Senior prelate of the Mexican Catholic Hierarchy, recently in exile, who was chosen by the committee of Mexican Bishops for the purpose of settling the differences between the Mexican Government and the Catholic Church

Times Wide World

PLUTARCO ELIAS CALLES

Who, as President of Mexico, began the enforcement of the separation of Church and State and who retired to private life on May 19, when he resigned as Secretary of War under Portes Gil

Underwood & Underwood



SPONSORS OF NEW LEGISLATION



SENATOR REED SMOOT
Chairman of the Finance Committee of the Senate, and therefore in charge of tariff legislation in the Senate

Harris & Ewing

SENATOR CHARLES McNARY AND REPRESENTATIVE GILBERT HAUGEN
Chairmen of the Senate and House Agricultural Committees, respectively. They introduced bills embodying the administration's views on farm relief

Times
Wide
World



REPRESENTATIVE WILLIS HAWLEY
Chairman of the House Ways and Means Committee, who introduced the new tariff bill

Harris & Ewing

ON AMERICAN SOIL IN BERLIN



THE LIBRARY

A room in the new
headquarters of the
American Ambassa-
dor, Jacob Gould
Schurman
Associated Press



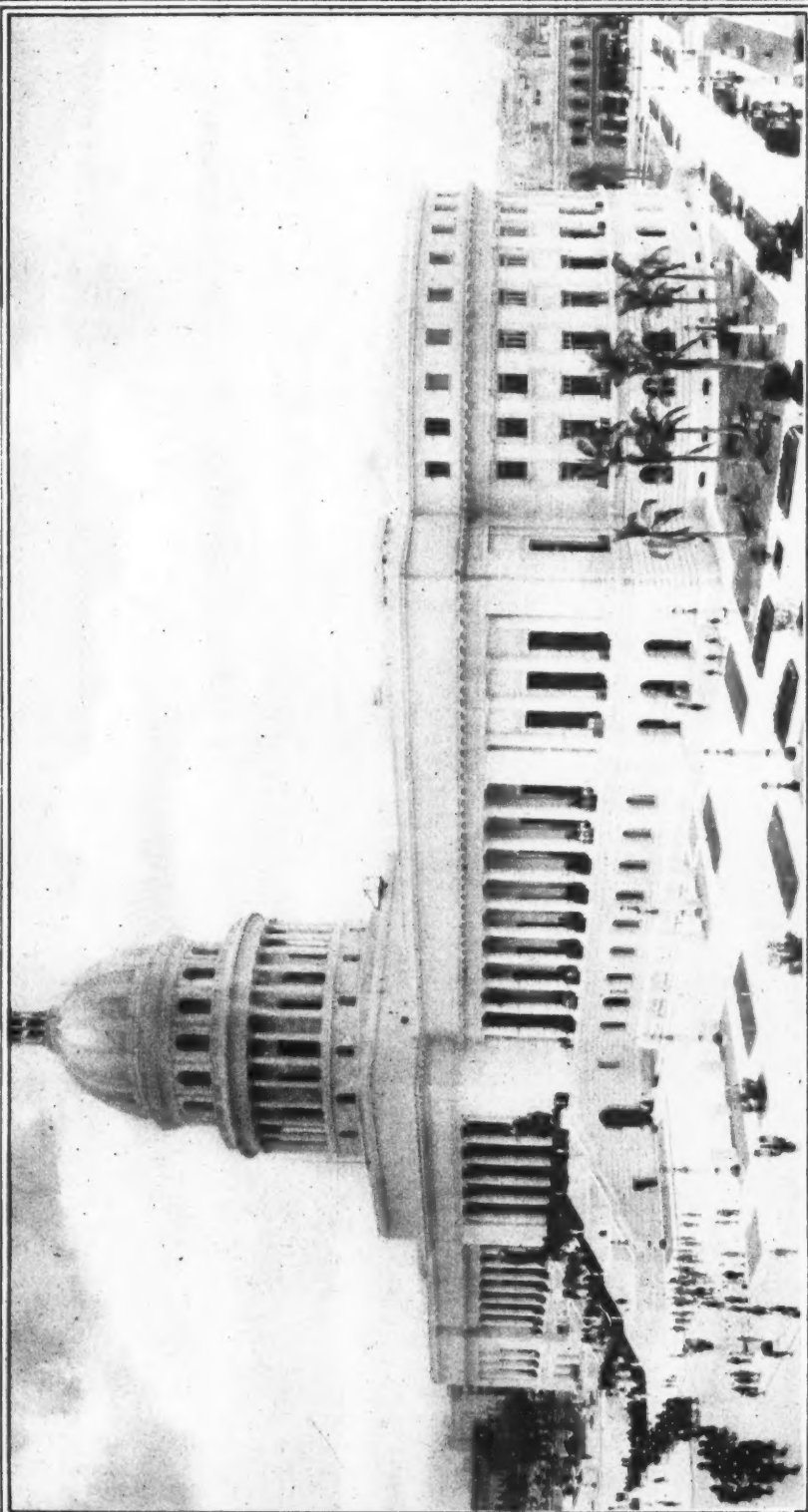
THE NEW UNITED STATES EMBASSY

Since April 1 the em-
bassy has been lo-
cated in a recently
acquired building at
39 Bendlerstrasse,
Berlin

Associated Press



HAVANA'S NEW CAPITOL BUILDING



THE SEAT OF THE CUBAN GOVERNMENT
The \$16,000,000 Capitol Building, officially opened at President Machado's second inauguration, on May 20
American Photo Studios

AGAIN CHOSEN CUBA'S CHIEF EXECUTIVE



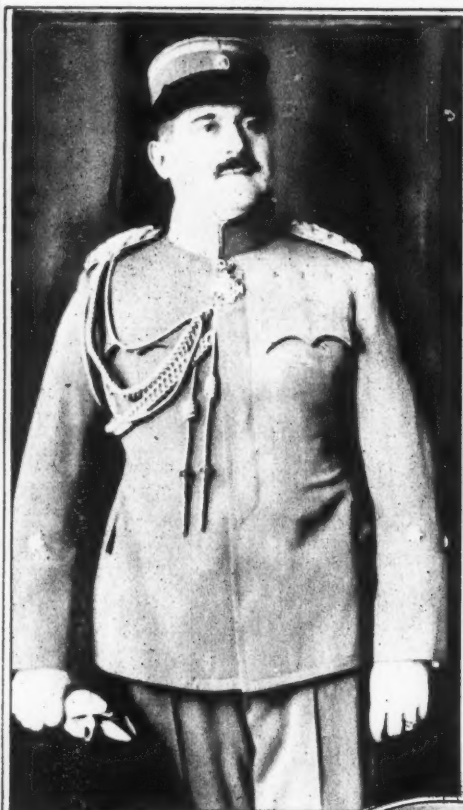
PRESIDENT MACHADO Y MORALES

Who was inaugurated President of Cuba for the second time on May 20. President Machado was first elected in 1925 and re-elected last year for a second term.

Wide World Studio



PREMIERS OF CENTRAL EUROPE



**GENERAL PETER
ZIVKOVITCH**

Appointed Premier
and Dictator of Yu-
goslavia on the
proclamation of a
dictatorship by
King Alexan-
der last Jan-
uary

Associated Press



**PREMIER
THEODORE
STAUNING**

The Danish Socialist
leader, who, as a re-
sult of the election on
April 24 became
Premier of Den-
mark



**DR. ERNST
STREERUWITZ**

Who on May 3 became
Chancellor of Austria.
He is a member of the
Christian Socialist Party
which has a majority in Par-
liament

Courtesy N. Y. Herald-Tribune

CHANGES IN THE HOOVER ADMINISTRATION



MABEL WALKER WILLEBRANDT
Who on May 29 resigned as Assistant
Attorney General of the United States
in charge of prohibition enforcement
Times Wide World



THEODORE ROOSEVELT
Appointed Governor of Porto Rico to
succeed Horace M. Towner
Associated Press

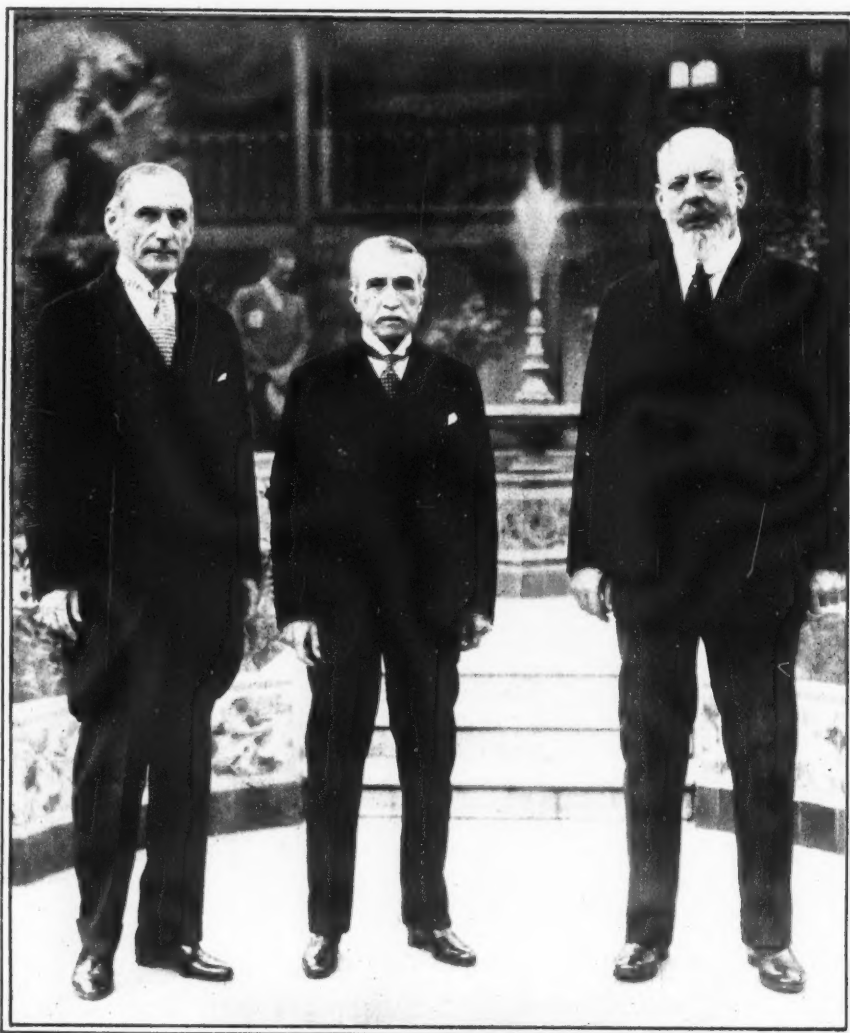


ROBERT H. LUCAS
President Hoover's choice for Commis-
sioner of Internal Revenue, to succeed
David H. Blair
Associated Press



JOHN LORD O'BRIAN
The new Assistant Attorney General,
who fills the position vacated by
Colonel William J. Donovan
Associated Press

THE TACNA-ARICA SETTLEMENT



REPRESENTATIVES OF THREE NATIONS

President Agusto B. Leguía of Peru (centre), with United States Ambassador Alexander P. Moore (at left) and Emiliano Figueroa Larraín, the Chilean Ambassador (at right), in the garden of the Presidential Palace at Lima, immediately after the final and successful conference which terminated the historic boundary dispute

One-Man Rule in Latin America

Continued from Page 604.

king. One must go back to the tyrants of ancient Greece or to the despots of the medieval Italian city-states for their counterpart. Some were sinister and insidious, like the extraordinary Dr. Francia of Paraguay—"El Supremo" of the Robertson Letters and the novel of Edward Lucas White. More often they were spectacular chieftains—super-*caciques*—gloating in the gaudy display of their uneasy power. Of such were the second Lopez, the bellicose and flamboyant lord of Paraguay, and the rude Melgarejo of Bolivia, who had the British Minister ridden out of town on a mule for an affront to his mistress.

DICTATORS' SERVICES

Occasionally these men served their countries well, as did the noble Sucre in Bolivia, Rufino Barrios in Guatemala and the first of the Paraguayan Lopez. They labored for the welfare of the land which they had mastered by their cunning or their daring, and they gave it a season of peace and a certain security for life and property.

One of the last of the old race of *caudillos* was Estrada Cabrera, long the redoubtable dictator of Guatemala. In his time all the strings of government led up to the private quarters of "*El Jefe*" (The Chief), as his awestruck subjects spoke of him. Like Dr. Francia, he beat down opposition with a cynical ruthlessness that discouraged further plots. He brooked no potential rival about him, and once, when asked why he

did not have a Vice President, replied, "That's how I became President."

Ismael Montes in Bolivia and Porfirio Diaz in Mexico were of the same strong race of rulers. They founded the national credit, had railroads built and industries developed, and policed their countries with a thoroughness that daunted all who might be contemplating robbery or revolution or both. Both régimes fell, the one before a military *coup d'état*, backed by the populace of La Paz, and the other before the revolt of the zealot Madero. And both collapsed with surprising facility.

The notorious Cipriano Castro of Venezuela and Zelaya of Nicaragua were a different sort. They looked on their countries as milk cows that had just calved, and showed small concern for the future increase of the herd. Only a thoroughly apathetic or crowded citizenry could have endured the misrule of these capricious despots, who represent a type that has been limited to the more backward republics.

As their power usually depended on control of the army, pretorianism was inseparable from the régime. The soldiery that could not be bullied or cajoled into obedience had to be treated with consideration and generosity, for every commander of a military post was a potential rival of the ruling *caudillo*. A dissatisfied general, a haughty defiance to the dictator, a fervid appeal to the populace in the name of Liberty and the Constitution, a few "*vivas*" in the barracks or in the plaza, and another army was off for the capital—and

the treasury. That was the accepted formula in such cases.

Probably no country, not even Mexico, illustrated so well the normal sequence of political phenomena in the early period as did Peru. Ephemeral Presidents, either "doctors" or generals, succeeded one another with little intermission, until instability became the chronic and settled order of things, and any pretext of serious republican government a travesty. In some countries the fruit of the dragon's teeth of disorder and discord that were sown in the turbulent decades following the wars of independence is still being harvested. In others, as in Argentina and Chile, internal peace came much earlier, with only rare disturbances, as in the days when the wild cavalry of Rosas rode down all opposition on the pampas or when Balmaceda tried to undermine the power of the Chilean oligarchy.

NEW TYPE OF EXECUTIVE

Some of the States have gone a long way toward realizing the aims of their founders. A much higher type of executive is now the rule, though they may still be too prone to "suspend" the Constitution or declare a "state of siege" when their enemies become too troublesome.

Though not referred to as "Dictator," the President still dominates the other branches of the government in most countries. Ibanez, who overthrew the Radical régime of the Alessandri party in Chile, is an example of the reversion to dictatorship in a country where parliamentary government had become a tradition. Irigoyen, re-elected to the Presidency of the Argentine Republic, represents a survival of the "strong man" type of earlier days. Calles in Mexico was of the same grim brood. Gomez, a true *caudillo*,



PORFIRIO DIAZ

President of Mexico, 1876-80 and 1884-1910

was long absolute in Venezuela. In Peru the word of Leguia has become accepted as the law of the land, and in Cuba the government of Machado is without serious opposition. In Brazil the habit of personalism in the Federal Government is strong, and the authority and prestige of Washington Luiz are felt through every degree of the hierarchy, whose ramifications radiate out from Rio de Janeiro across the wide spaces of that vast republic.

With only an occasional exception,

dictatorship in these times is not the arbitrary tyranny of the first century of independence. Presidents, whose power is almost absolute, generally maintain the routine forms and appearances of constitutionalism. The public opinion of their own countries and of the world at large is an active force which none can entirely ignore. An enlightened rule compensates, too, for the political irregularities of the Presidential office. Roads and irrigation works, social legislation, financial stability, and the maintenance of public order, and, paradoxical as it might seem, the spread of popular education, are some of the benefits that have come from the assumption of extraordinary powers by the Presidents of

these countries — benefits to be weighed against the ruthless treatment of political opponents by a few. Sometimes they may be the only alternative to the destructive anarchy of revolution.

"STRONG MAN'S" VALUE

The rule of the "strong man" in these countries has a certain justification in the peculiar temperament of the Latin-American peoples. Weakness in the Presidency may be disastrous, as is shown by the number of beneficent, but too mild, executives who have been hurled from power by some ruthless self-seeker while the populace looked on unconcerned or actually approving. King Log has an uneasy throne among this race of hero-worshippers. To an Anglo-Saxon it is surprising how complacently the average Latin-American citizenry accepts the dictator's treatment of the minority. He may demand the most abject support from the press; he may break up the meetings of the opposition or exile its leaders; he may pack elections after the worst manner of American ward politics, but if he gives order and peace to the country, allows the average man to go about his affairs unmolested, and exalts the prestige of the nation in the eyes of the world, he will have the support of the masses of his country. It is an interesting commentary that today no name is greeted with so much applause by the average Mexican audience as that of Porfirio Diaz.

But not all Latin-American Presidents exercise the authority of dictatorship. Only the bitterest partisans of the opposition would place the present executives of Colombia, Ecuador, Bolivia and Paraguay in this category. Nor is Portes Gil of Mexico of the stuff of which *cau-*



GENERAL JUAN VICENTE GOMEZ
Who recently refused renomination for
President of Venezuela

dillos are made. The unique dualism created by the new Uruguayan Constitution prevents the usurpation of powers by the executive in that country.

Notwithstanding the recent resurgence of revolt in Mexico, revolutions have declined in frequency as well as in duration and casualties. Elections are becoming more than a matter of form. In last year's Presidential elections in the Argentine voters were compelled by law to go to the polls, instead of being kept away from them, as has often occurred in Latin-American elections. On the other hand, it appears that in Brazil the prescribed form for electing Presidents is being abandoned for one of acclamation by the administration-controlled majority of Congress. Business has become a strong force for order, since people do not want their herds driven off by marauding revolutionists, or their shops looted, or train service inter-

rupted, or tribute laid on their factories or mines. Armies are better disciplined nowadays, and the central governments have better means of moving troops into disaffected areas, as was demonstrated in the recent Mexican revolt. Illiteracy, though still too high in all the republics, has declined greatly, and the citizens are generally better qualified for their task. A middle class, with substantial interests at stake and a real civic spirit, is rising. It does not have the old proletariat's indifferent attitude toward *la politica* (politics), but is demanding consideration for its rights. The atmosphere is rapidly becoming less congenial to the designs of military adventurers and disgruntled politicians too impatient for the spoils of office. This is true even in Mexico.

Party names in Latin America are slowly acquiring some significance, though in political campaigns one hears too little of platforms or principles. Government is still a very personal matter and in the past parties have been little more than the organized followings of prominent *politicos* (politicians), or they have only supplied euphemistic names for the "ins" and the "outs." In a few countries the leading parties do stand for a fairly definite set of principles, so that they are real Liberals or Conservatives.

In spite of the persistence of bad political habits in the less progressive countries and of occasional flare-ups of certain atavistic impulses in those where orderly government has become the rule, the political outlook in Latin America is not a cause for cynicism or hopelessness. Nearly all the republics are on the right road; though the machinery creaks and groans at times, they are making progress toward the goal fixed by their builders.



CIPRIANO CASTRO
President of Venezuela, 1900-8

Italian King's Relation to the Fascist Dictatorship

By PERCY WINNER

FOREIGN NEWS EDITOR, *New York Evening Post*; FORMERLY CORRESPONDENT OF THE ASSOCIATED PRESS IN ROME

IT has long been the fashion for caricaturists to picture King Victor Emmanuel of Italy as a forlorn pigmy in frayedappings of regality doing the bidding of his robustly gigantic "affectionate cousin" Benito Mussolini by strutting reluctantly with empty pomposity through meaningless ceremonies, fawning, cringing, worrying, wondering, suffering and being generally miserable. His face haggard through anxiety over his personal and dynastic future, his body further warped in grotesque dejection, the King of Italy has been offered as a sorry figure, while Mussolini has been constantly depicted as colossal and magnificent, protective either benevolently or malevolently, arrogantly condescending or magnificent in superior strength, kindly or overbearing but always the master of the ill assorted duo. It is not surprising that such a symbolization should underlie the popular conception of the relationship between the monarch *de jure* and the dictator *de facto*.

Whatever observers of the Italian scene may think of Mussolini, they usually feel somewhat sorry for the King. Not only his natural friends but his natural enemies, the Republicans and Socialists, pity him, the more sincerely so because he does not complain.

Unlike others who have been dis-

possessed in this generation, he has not been relieved of his trials and tribulations as well as of his powers and prerogatives. It is true that some bitter anti-Fascists have reproached Victor Emmanuel for what they term abject surrender to an interloper and accused him of inviting disaster by his supine resignation and cowardice in the early days of the Fascist régime. Even they, however, admit that any other course would have endangered his throne, and, if they know history, they realize that a King cannot lightly take upon himself the responsibility for wrecking the future of his dynasty. The vast majority of those who have watched the course of Italian political development without fanatical partisanship lean to the more benevolent and more sympathetic view of the King's rôle. They agree that he has been the under dog, that he has paid much for little and that he has been made a stranger in his own home. They suspect that his approval of Fascism must have been forced from him, another compulsory sacrifice to the exigencies of his painful situation. But they are wrong. The King has gained more than he has lost. The caricaturists unwittingly aid the King by creating an erroneous inference from the physical contrast between the King and the dictator.

Mussolini, although of no more

than middle height, is a towering figure by reason of his carriage of a truly massive body; there is no escaping the fact that he does resemble a Roman Emperor. He has the thoracic girth of a wrestler but the comparative slimness of waist and relaxed swinging walk of a much faster moving athlete. There is something distinctly catlike about this hulk of a man. He likes to stand with his legs well apart, his chest thrust out, his closed fists on his hips. In that posture he has the solidity of a rock; he moves and there is unexpected grace and fluidity. He sinks on his haunches, deliberately, with the undulating swing of a languorous woman or the energy-conserving sway of a long-distance walker. He is never abrupt except when he throws back his head in the most characteristic gesture of the many reserved for the camera. When self-conscious—which is to say almost always—he swaggers and swings his arms a trifle more than necessary. He gives the impression of being able to spring quickly and surely with the agility of a fencer, were he to be attacked suddenly.

His head is high and oblong, broader from side to side than from front to back, with the hair thinning to baldness, and there is a large mole almost at the centre of the exposed pate. The neck is short, squat, over-musculated and arises with but little curve to the flattish back of the skull. The staring intentness of the large eyes is not of intense fixity, nor of absent-mindedness, but rather something like the unfocused blankness of a very young child's stare; the eyes bulge and seem to look without seeing. A massive jawbone sweeps in an unbroken underslung curve from the ears; the whole man is in this jawbone, which he loves to

hold forward and upward while he half closes his eyes in a grimace which is half sneeringly confident, half pugnaciously defiant. The mouth, too broad and too loose, also pushes forward, at times almost petulantly in the manner of a spoiled child.

Here is a man whose weaknesses are immediately obvious only to the discerning eye, whose strength hurls itself at you, who wants and gets his way. Despite what his enemies say, Mussolini is not the sort of person who would make one laugh in derision.

THE KING'S PHYSIQUE

The King does not look the kingly part. In his face there is no force of character, no attractiveness of personality. His head, closely cropped, is small with a bluntish chin somewhat receding. The mouth, crooked at the right side, twitches in a nervous jerk which pulls the skin from the nose and the scrawny neck. The eyes, of an uncertain watery blue, dart about incessantly, birdlike, under pinkish lids. Usually he seems bored or disinterested. When he smiles, his face crumples into a grimace, the lower lip closing upward toward the nose. He has the torso of a heavy grown man, with short and thin legs. On a horse, he looks a foot taller than he really is. His carriages are said to have seats built high for him. In walking he takes short awkward steps, leaning forward heavily as though the legs were not strong enough to support the body. He salutes, grins and nods with the regularity of a mechanical doll.

Victor Emmanuel's appearance has frequently been mentioned in scientific discussions of physical degeneration through inbreeding. His wife, the present Queen, was im-

ported from Montenegro for biological as well as political reasons. For the caricaturists, even the well-intentioned ones, here, then, is a figure of tragi-comedy, a man born

egocentrism can believe that he sought to help the King or to strengthen the Italian monarchy. Even without accepting the extreme opposite view that he tried delib-



From *Things New and Old*

"THE BENEFICENT DESPOT," A CARTOON BY MAX BEERBOHM

One constitutional monarch to another: "He has worked wonders for my people. If you'd like me to lend him to you"

to the role of setting off Mussolini's grandeur.

Nevertheless, the King is not so insignificant as he seems and Mussolini not so splendid. The King is no more a tottering weakling than his Prime Minister is a superman. The King is no fool, Mussolini no wizard. No one who has the slightest inkling of Mussolini's colossal

erately to weaken it, the belief must certainly appear preposterous. Yet the King's position is stronger now than it was before the advent of Fascism. Socialism and communism were threats, although not so potent as the Fascists would have us believe, as late as in 1921. Now mild republicanism is gone. The monarchy is secure; the Senate recently

voted a resolution to tell the world that Italy without the House of Savoy is unthinkable. If Mussolini himself with all the strength of Fascism behind him were to decide to dispossess the King, he would have a large and by no means certainly successful task on his hands. In 1922 it would have been much easier.

Mussolini was forced to bring about the change, but not from any love for the House of Savoy. Fascism has been forged by the necessity of events. Mussolini, an opportunist with an unquenchable thirst for power, has continually changed his ground for the sake of power. Socialism was excellent on the lower rungs of the ladder of ambition; republicanism was a good threat to still royal opposition in its day, but monarchism was the logical sequel when he had won the day and needed to maintain the *status quo*. If at some future time there is to be an empire with Benito I as the founder of an imperial dynasty, the shortest step would be from the monarchy. But Victor Emmanuel also has had his part in bringing about the change. He too has been an opportunist, less blatant, less stentorian, but perhaps more efficient. He has understood the royal rôle at least as well as Mussolini did the dictatorial. From the beginning the King saw that when Mussolini, in choosing the road to power, decided to turn to the right rather than to the left, the monarch had only to be discreet to be able eventually to garner the fruits.

It was the task of Pope Pius and his brilliant Secretary of State, Cardinal Gasparri—also opportunists—to wait. They waited; and they got the Concordat. They realized, as the King did, that Mussolini

eventually would need the Church and Crown more than the Church and Crown would need him. It was the task of Victor Emmanuel to suffer in silence. He suffered; and now the coat-of-arms of Fascism has become part of the coat-of-arms of the House of Savoy—Fascism the defender, not the enemy, of the dynasty which less than a century ago was merely that of Piedmont and is now that of the "Greater Italy."

MONARCH'S VIRTUES

The King has frequently demonstrated a clear comprehension of his rôle in the life of the nation, and has succeeded in retaining for his family a degree of popular respect and affection quite unusual in an anti-monarchical era. Understanding that the people more readily forgive sins of omission than of commission in princes, and taking into account his personal handicaps, he has been simple, unaffected, unpretentious, aloof, never a meddler or a self-seeker. He has, for example, skillfully used the circumstances of his Neapolitan birth to make himself generally considered a true Italian rather than a Piedmontese. His family has been exemplary of what the true Italian family should be—modest, frugal, home-loving, radiant with all the homely virtues. His son, a handsome young man, has been carefully trained as an aristocrat and a soldier; his daughters have married and have had children. "The Soldier King" has kept his eyes on the army and probably the army would repay him in the event of a clash with a dictator who curries its favor in perhaps too overt a fashion to be entirely pleasant to professional soldiers.

In the light of the experience of his father and grandfather, Victor

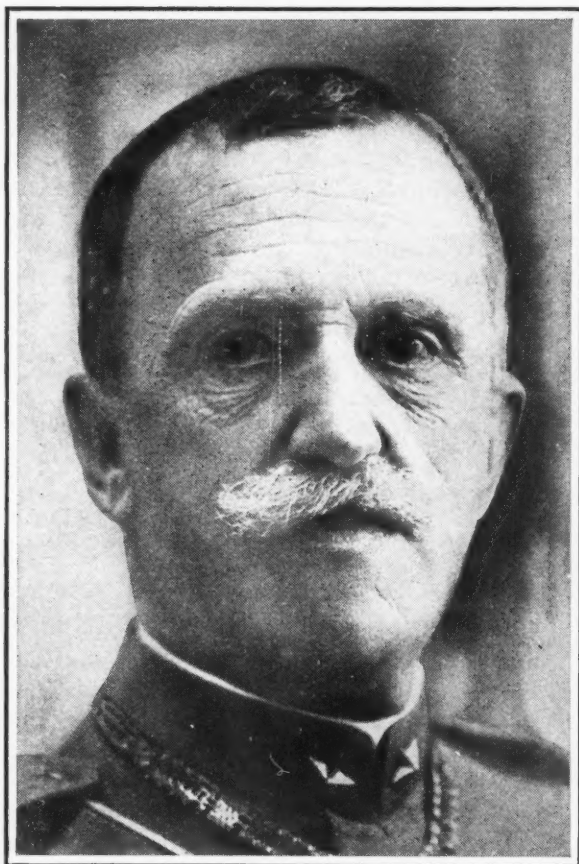
Emmanuel III has had little cause for complaint. Victor Emmanuel II and Humbert were as much *rois fainéants* as he is. Nominally extensive powers were granted to the sovereign under the Albertine Constitution, but after 1870 they were seldom used. From the first year of life of the kingdom, the Legislature as representative of the people was the real power. The dictum, borrowed from English practice, was "The King reigns but does not govern." With Depretis, founder of *trasformismo*—the system of "buying" deputies of a region or a party by giving it a place in the Cabinet, the equivalent of the French *combine*—a series of Parliamentary manipulator-dictators began. Depretis, Crispi and Giolitti—to mention only a few—were little Mussolinis in their own way. They lobbied, bargained, juggled and manipulated, but always under the cloak of legality and with the Chamber of Deputies as their province, whereas Mussolini has thrown legality to the winds and has taken the State as his arena. Under Fascism the Chamber of Deputies has become a rubber stamp. The Senate and the Fascist Grand Council have whatever power Mussolini permits them, but the King is no worse off than he was before, since the Senators and Councilors may more easily come within the range of his influence than they did before 1922. In "breaking" the Chamber of Deputies Mussolini did not steal any power from the Crown.

The King's attitude makes it possible for him to seem a Fascist to some observers and a victim of Fascism to others. Whereas most Fascists are taught to respect him as a symbol of the sacredness of the State, and whereas some anti-Fascists hate him for his "surrender,"

other anti-Fascists are drawn to him by his apparent martyrdom. His superficial rôle of underdog has helped him enormously among the illiterate masses. In the absence of any organized opposition to Fascism, millions of Italians ranging from the Red extremists to the most moderate men of the Right, who desire to condemn Fascism by innuendo since they cannot do so openly, rally to the supposedly long-suffering monarch. Never before 1922 had the King been the object of such enthusiastic welcomes as have greeted him in many Italian cities during the last few years. The cheers of Fascists and anti-Fascists have mingled to acclaim him.

CONSEQUENCES OF A REVOLT

Victor Emmanuel is intelligent enough to understand that he has more to fear without Mussolini than with him. A revolt from within the ranks of Fascism would carry the Crown with it, or at any rate drive out the present ruler. Indeed, any revolt, whether from within Fascism or against it, would have that effect. The King knows as well as do most thinking Italians that Fascism did not save Italy from anarchy or communism in 1922. Anarchy had already run its course; communism had expended itself vainly, and the country was in the grip of nothing more serious than a Parliamentary crisis of a sort which, except for the special post-war brutality, had been frequent for decades. Since 1922 and particularly since 1924, however, the situation has changed. Parliament is gone except in name. The Constitution is meaningless. The next crisis must necessarily express itself extra-legally in some form of open revolution, and not in any mock "March on Rome." Any attack on the Fascist Régime



Times Wide World

VICTOR EMMANUEL III

must also be an attack on the Crown by sheer force of momentum if for no other reason. In the absence of any formal legal or political machinery—and, having been Fascistized, both must logically disappear with Fascism—the resentment against the King's attitude of resignation to Dictator would combine with the suddenly released venom against all authority to create irresistible anti-monarchical pressure.

The House of Savoy became the ruling House of Italy because two of its Princes voluntarily and at great personal risk espoused the cause of Italian unity and independence. Charles Albert, a King of

Piedmont, paved the way for the greatness of his house by reluctantly granting the Constitution of 1848, now that of Italy, and by fighting to recover Italian soil from the foreigner. Victor Emmanuel II became the first King of Italy through his continuation of that struggle and through the skillful political manipulation of his great Prime Minister, Count Cavour. There were many Italians who shared Mazzini's bitter disappointment when the nation became a kingdom instead of a republic. Nevertheless Savoy has meant to two generations Italian unity and freedom from foreign tyranny. That it should have come to be associated with something like domestic tyranny is a bitter realization to the sons and grandsons of the Risorgimento.

The leaders of a revolt against Fascism, more likely to be Republicans,

Socialists or Communists than constitutional Liberals, would not make fine distinctions between King and dictator. They would be satisfied with nothing short of a clean sweep. Even if a King were kept, it would not be Victor Emmanuel. Young Humbert, who is known to be a Fascist sympathizer, would go by the board in any event. But there are other members of the House of Savoy—the Duke of Aosta, a vigorous gentleman whose record during the war earned him great popularity, and his son, the dashing young Duke of the Apulia, now married to a French Princess and assumed to be an anti-Fascist.

It would be giving Victor Emmanuel too much credit to assume that he realized his situation from the beginning. He learned as he went along.

Fear had something to do with the intelligence he displayed on several occasions. Indeed, fear must have played a part in each of the four dramatic encounters between the King and Mussolini of which history has as yet no record.

When the Interventionists were struggling to force Italy into the World War on the side of the Allies in the Winter of 1914 and the Spring of 1915, Mussolini was no monarchist. He had little use for the King, and announced that if the King did not side with the Interventionists, it would cost him his throne. The turbulent *giornate de maggio* suggested what might have happened had not war been declared, but, of course, the decision was not made by the King and was not the result of Mussolini's personal campaign.

In October, 1922, when the King instructed General Cittadini to telephone Mussolini to come to Rome on his own terms, he must have been uncomfortably aware of the possibilities of the situation. The Fascist leader, well stocked with arms and ammunition furnished by the Northern industrialists, with the army on his side, and with the forces of

authority crumbling before him, was prepared to enter Rome behind machine guns. If he did so, would he—a former Socialist, a former political convict, author of "Red Week," and chronic baiter of constituted authority—leave the Quirinal unmolested or would he retract the bargain Cavour induced Garibaldi to make with Victor Emmanuel II, which made possible a united Italy and which sent Mazzini, broken-hearted, into exile? The King took no chances. He invited Mussolini.

Less than two years later, the King had another decision to make. Matteotti, the Socialist Deputy, had been murdered. The chiefs of the



Eva Barrett, Rome

BENITO MUSSOLINI

constitutional opposition to Fascism, having gathered evidence of Mussolini's complicity, brought it to the Quirinal, deeming the situation so grave as to require royal rather than parliamentary action. Fascism was at its low ebb. A vigorous stroke of any kind might have been its death blow. Yet the Constitutionalists, instead of acting independently, decided to depend upon the King, who well knew that a dangerous choice had been forced on him. If he pronounced himself for Mussolini, he would have to bear a crushing moral onus; if he spoke against him, Mussolini would have had to resign or to fight both the opposition and the Crown. It was obvious that Mussolini's temperament would rule out the possibility of resignation or submission of any sort. The King decided to play safe. Instead of acting, he waited for a few days to see where the strength lay. Mussolini extricated himself from the difficulty by brazenly using strong-arm methods. Then the King did not need to answer.

There was one more scare, and the worst of the lot. In the Winter of 1926 the army was close to minimum strength, one conscriptive class having been mustered out of service and the new class not yet inducted into the ranks. A soldier returning to Rome on leave from Tripoli brought a letter from General de Bono, then Governor of the colony, and an ardent Fascist. There was no written address, but the verbal instructions were to deliver the letter to Italo Balbo, one of the most irresponsible of the black shirts.

The soldier made a mistake. He carried the letter to General Badoglio, Italy's ablest soldier and a staunchly loyal monarchist, who found in it a minutely worked-out plan for a revolt against the Crown.

The Fascists, or rather a faction of them, planned to use the Fascist militia at full strength in a coup against the army. Mussolini, it appeared, knew nothing about the plot. Badoglio told the King and, on his direct orders, concentrated troops at the Villa Savoia and the Quirinal. The revolt blew up. Mussolini raged and fumed among his cohorts, threatening all sorts of terrible punishments which, for fear of a scandal, were never put into effect. The King did not apologize for having acted without consulting Mussolini, but it is likely that Mussolini did crave pardon for his over-zealous supporters. This episode confirmed the King's suspicion that Mussolini was wedded to the monarchy, and that republican and other anti-monarchical tendencies in the Fascist ranks might become dangerous in the absence of the dictator.

Since then Victor Emmanuel has slowly but steadily emerged from the equivocal rôle of victim-ally of Fascism. Disappointing the anti-Fascists but leaving untouched his reputation among the masses for martyrdom, he has served as one of the best show pieces of the Fascist régime. After the attempt on the King's life last year, Mussolini staged imposing demonstrations of loyalty to the monarch, and arrested several thousand anti-Fascists.

Then in April the long-suffering King came out into the open. Standing at the right side of Mussolini before the opening session of the new Legislature, he told the world that in his opinion Italy's "high place" in the family of nations was due to its seven years of Fascist rule. This speech was not exactly an act of high courage, since a few weeks before some 8,000,000 Italians had voted to keep Fascism yet a little while.

Alfonso and Rivera in Joint Dictatorship

By CARLETON BEALS

WRITER ON LATIN COUNTRIES OF EUROPE AND AMERICA

FREQUENT reports have been spread of an unpleasant see-saw between King Alfonso XIII of Spain and the Dictator, Primo de Rivera. In a city where the able-bodied middle class spends most of its waking hours in cafés, here in this provincial bureaucratic Madrid, trying wistfully to be modern, rumors roll up rapidly—doubly so since the iron-clad censorship with the café supplanting the Spanish newspaper. One day Primo de Rivera spatters the King with an ink well; the next, his Majesty bites Primo's ear. The Dictator insults the King in diplomatic gatherings; and the King favors the Dictator's enemies. They bicker over the control of the petroleum monopoly, and the King loses. The King promotes army favorites; Primo promotes his own favorites. Such are some of the omens of loose tongues—undoubtedly hopes born of traditional Spanish apathy and the desire for some miracle which will alter the course of political affairs. As usual, where two persons share supreme power, the common man, well aware of the frailties of human intercourse, sees in every drop of acid a sea of vinegar.

Undoubtedly in a situation where all constitutional guarantees have perished, the line of prerogatives between the throne, deriving its power from "divine right," and the Dicta-

tor, deriving his power through the "right of force," cannot be very clear. But the past six years of dictatorship reveal beyond doubt that, for some little time to come, the King cannot do without Primo and that the Dictator cannot do without the King. It is sink or swim together. The customary medieval court intrigue undoubtedly goes on; each has his personal favorites to reward; differences arise; but the King, thus far, has signed every project laid before him by the Dictator. The Dictator, for his part, must be well aware of the strategic position of the King—the traditional prestige of the monarchy. The King's rôle has been to play this tradition for all it is worth. The fiction that the King is a sort of gorgeous super-prisoner is constantly promoted. This mild arrangement preserves the illusion that the King is morally superior, though physically weaker, than the Dictator.

Yet, gradually, the public has become aware that this tug-of-war game is being staged for its gullibility; today it blames the crown equally with Primo for mistakes and repressions. Indeed, the pendulum has swung quite to the other extreme. The average Spaniard is now convinced that the King is the real mainspring of the dictatorship. The result is a wave of republican sentiment unknown since the '60s

of last century. Instead of conceiving Primo de Rivera as the iron man on horseback come to rule the destinies of the nation and lift it to glory, the Spanish people now smile a bit disdainfully. Primo is a good-natured play-actor, excessively fond of pleasure, merely the puppet who knocks down all rebellious heads with a big huzzah that appeals to Spanish fondness for quixotic slapstick and din. Certainly the institution of monarchy has far deeper roots than the dictatorship. If Alfonso were openly to assert himself he could easily dominate Primo de Rivera. Hence, today in Spain, the real pivot of politics is not Primo de Rivera but the King. Barring accidents, if any early change of régime occurs, it can only have its origin in the *voluntad* of the crown.

CONSERVATIVES' ATTITUDE

The Conservative party at first greeted Primo's coup with great acclaim, because the leaders expected that this change would insure them tenure of high offices undisturbed by the upsurge of Liberals and Socialists. But Primo ignored them and bought off the Socialists. The Conservative party is now decidedly alarmed at the trend of events, is now completely hostile. The sons of ex-Premier Maura have issued a sharp manifesto. Sanchez Guerra, former Conservative Premier, who put down the general strike of 1917 with machine guns in the Plaza of Cuatro Caminos, and who suppressed the uprising of the military *Juntas de Defensa* of that epoch, recently reversed rôles. He accepted the leadership of the artillery revolt of last January. Its abortion now finds him imprisoned on a battle cruiser. The Conservatives fear that the tactics of Primo de Rivera are leading

the country to a debacle. This is not a dictatorship, they claim, but a medieval anarchy of personal caprice. Ruin can only be averted by ditching Primo and salvaging the monarchy. They stress the idea that the King is a virtual prisoner who must be released—the sleeping beauty whose fearsome guard must be overcome.

The Republicans, Liberals, Reformists and radicals declare that the King is equally responsible; that in case of a change of régime, the King must also go. They direct their attacks even more against him than against Primo. They contend that Alfonso, from the very first, has been imbued with absolutist ambitions, for instance, in his 1902 accession speech in which he declared himself above the Constitution and the elected Cortes. They declare that he has sixteenth century dreams; that he visions himself at the head of a crusade forcibly to re-incorporate Portugal and to conquer Morocco, including the French portion; that he actually directed the disastrous Moroccan campaign, going over the heads of the constituted government and the War Department, sending his orders straight to General Cavalcanti and the ill-starred General Silvestre, who committed suicide in 1921, after his army had been hacked to pieces by the Moors. The Conservatives desire a return to the pre-1923 pseudo-parliamentarian system; the other groups are now Republicans of varying political colors.

The only surviving party of the old régime now supporting the directorate is the Socialist party, which, menaced by the Communists and the Catalán syndicalists, was saved from early destruction in 1923 by the coup of Primo de Rivera. Not only were the Socialists saved from

defeat, but, irony of ironies, they were rewarded. Largo Caballero, outstanding Socialist leader, is on the Council of State; other well-known Socialists have accepted posts. Naturally the dictatorship and the Socialist party have nothing in common but mutual gratitude. The present neutrality of the party results from the policy of the actual régime to buy off any one willing to be bought.

The dictatorship has more important supports. The Union Patriótica is an official organization, the backbone of which is formed by the large landed proprietors and bull breeders of Andalusia, Extremadura and other sections—a body in which, Primo has declared, all honorable political elements have ample

room to participate. The Church is officially and whole-heartedly with the directorate; and its prelates are generously represented in the hand-picked Assembly of the present régime. Various orders have been handsomely remembered in the various concessions granted since 1923. The Archbishop of Toledo, Segura y Saenz, Primate of Spain, the Archbishops of Valencia, Valladolid and Sigüenza, and the Bishop of Madrid, have all issued pastoral letters urging full support of the dictatorship.

ARMY OFFICERS' SPOILS

The most important factor, of course, is the army, from which Primo sprang and which he has constantly favored. His Cabinet contains but two civilians. Army of-

ficers hold high positions; they serve as censors of the press; they inundate the Secret Service; they act as special mentors in the provinces; they govern the provinces; they are found in the private companies and monopolies created by the Directorate; they are the holders of valuable new concessions.

The antecedents of the seizure of power by Primo de Rivera hark back to the days of the republic under Castelar and Serrano and the unsuccessful Carlist War in 1872-76, ending in the seating of Alfonso XII (direct descendant of Ferdinand VII) on the throne (1875). On his deathbed in 1886, the King swore the Regency to the Pardo Pact to keep the Republicans and Carlists out of office and alternate the administrations between the Con-



From *Spanish Towns and People*, R. M. McBride & Co.
The Puerto del Sol, the centre of modern Madrid.
From: an etching by Edward C. Caswell



From *Vivid Spain*, by J. M. Chapple, Chapple Pub. Co.

KING ALFONSO XIII

From an etching by Levon West

servatives and Liberals—the pseudo-parliamentary system of rotative camarillas which was smashed when Primo strode into Madrid.

The height of disillusion in Spain was reached in 1899 with the final extinction of Spain's overseas colonial empire. The disgraceful conduct of the war, the terrific inefficiency of the army and navy, the graft-ridden condition of the previous colonial administration—all this was aired by the Liberals of the day. The favored military caste in Spain fell under a cloud. Officers were frequently set upon in the streets by the outraged populace. Liberal tendencies had a brief flowering. But the military and Conservative elements bent every effort toward re-

pressing opposition in order to cling to their privileges. Cried the famous Pi y Margall in *El Nuevo Régimen* in 1900: "Oh, impenitent Centralists! Have you so soon forgotten the errors that resulted in the loss of Cuba? By the same errors you are again endangering the integrity of the *patria*."

New hopes centred in the young King Alfonso XIII, who ascended the throne of Spain in 1902. But immediately he threw his support to the ultra-conservative, clerical and military elements, particularly to the long-lived Maura, who officially executed Ferrer. King Alfonso had been trained principally by a Jesuit priest and an officer of the general staff, and this explains much of his subsequent career. He assisted the military caste to regain its prerogatives. By 1905

the Junker group had managed to force a Liberal administration to turn over to a court-martial any one writing or publishing criticism of the dynasty or the army, a pernicious control over public opinion which has hung like a sword of Damocles over many an editorial desk. By 1909 the militarists had forced the government into the Moroccan war, which was to drag on desultorily and disastrously for so many years, a bottomless sea for the exchequer, an endless drain of young lives, but which lined many an official pocket with graft.

King Alfonso, from the first, intrigued in the army to create a personally loyal corps. Constantly he meddled in the Moroccan campaigns.

He promoted young favorites to Generalships, placing personal friends in Zaragoza, Barcelona and Madrid. Andalusia was given to Prince Carlos. The seniority rule of the army was completely disregarded. Increasingly alarmed, the younger officers secretly formed the *Juntas de Defensa*, largely in the artillery corps. These juntas directed the 1917 revolt which Sanchez Guerra suppressed. Though peacefully extinguished, this revolt resulted in the reorganization of the Cabinet, the ousting of several Generals, the resignation of Governors. But the solution sanctioned treachery. The seven Colonels of the executive committee of the juntas were made Generals; many new posts were created, placing a heavy burden upon the exchequer.

Thus the juntas, which had demanded the purification of the army, became instruments of worse corruption.

This corruption proceeded apace and led directly to the 1921 debacle of General Sylvestre, whose forces of over 20,000 men, supposedly well-equipped, were routed by a few thousand tribesmen under Abd-el Krim. Over a thousand Spanish prisoners were taken. Enormous stores of supplies were captured. Spanish opinion was shaken to the depths. The papers printed endless series of photographs of the soldiers held by the terrible Moors. Though the army and the King tried to suppress the facts, and though General Berenguer, the commandant in Morocco, immediately launched an aggressive counter-offensive, public

opinion demanded ransom of the prisoners and a thorough investigation. By dint of perseverance, a Liberal Minister secured the removal of the senatorial immunity which protected Berenguer and forced him before a court-martial. A commission of 21 Deputies of all parties was created to investigate the defeat.

Only part of the truth was ever aired, for the trail led directly to the King. Enough was told to show that General Sylvestre was drunk; that his leading officers were enjoying a pleasure party in Malaga on the mainland; that a General maintained a private store in Tetuan under an assumed name, where he disposed of stolen army goods; that all officialdom was honeycombed with graft; that the soldiers were in rags and



From *Vivid Spain*, by J. M. Chapple, Chapple Pub. Co.

GENERAL PRIMO DE RIVERA

From an etching by Levon West

without supplies; that on occasion soldiers even had to buy their own food, money being advanced to them at ruinous rates by the officers; that military supplies were passing into the hands of the enemy Moors.

The army's prestige was entirely at stake. The Berenguistas in the army murmured revolt. The King's good name was endangered. The scandal was taking on mammoth proportions. Only drastic measures could save the situation.

Enter Primo de Rivera, commandant in Barcelona. It is now historically established that his coup was engineered in conjunction with the crown (cf. the French magazine *Europe*, Nov. 15, 1923: "*La dictature en Espagne*," pp. 356-373). Within twenty-four hours after taking possession, the new Dictator dissolved the sovereign Cortes and seized its documentation on Moroccan affairs. Even before the twenty years' sentence had been imposed on Berenguer, he announced that a pardon was awaiting him. The suppression of freedom of the press, the abolition of trial by jury, the destruction of local self-government, these and other repressive measures prevented all public reaction and kept the truth from general dissemination. Berenguer was promoted to Lieutenant General and is now commander of the Royal Palace Guard. At the time of the Spanish-American War, to be a grafter and lose colonies was a sure guarantee of promotion (to hush up scandal); so to lose Morocco has been equally a guarantee of promotion.

THE MOROCCAN CRISIS

Primo promised a new and dignified settlement of the Moroccan situation. But things went from bad to worse. The shattered army stag-

gered along. Discipline was nonexistent. Orders all along the line were flouted, defeats augmented. Toward the end of 1924 Primo rushed over to Morocco in person and landed in Ahucemas after a spectacular, brutal, but quite unnecessary bombardment. Immediately he took steps to delimit the Spanish zone of operations, bringing the troops back to the coast to points occupied in 1917, a project for which he had bitterly attacked the Liberal government which he had overthrown. The withdrawal was tragic. Loss of life and equipment was great. Millions of cartridges were lost, as well as thousands of rifles and also cannon. At Buharraz there was a long siege by the Moors, ending only when the besiegers were bought off. Rifles equal to the number held by the defenders and twenty mules loaded with silver were dispatched to Abd-el Krim. The officer of the besieged detachment led his soldiers in a cynical cheer, "Long Live the Bank of Spain!"

In person Primo executed the evacuation of Sheshuan. With the army came the Spanish colony and the Christian population, toiling out of the inland city with what little they could carry across the choking, hot desert under the African sun, through precipitous mountain defiles—whole families. The retreat became a terrible rout. Probably ten thousand lives were lost. Yet it attests to Primo's cleverness that the kept press of Spain conjured up the retreat as a marvel of strategy. Primo de Rivera entered Madrid triumphantly at the head of his soldiers, was decorated by the King and received the highest grade in the army, that of Captain General. By 1926 the Spanish army had been somewhat reorganized; but it was

the French who finally entered Taragui, the Moorish capital, and captured Abd-el Krim. Yet the Spanish public has been led to believe that this, too, was due to the prowess of Primo.

Though Primo has the support of most of the army caste and has made constant concessions to the junker group, though his government harbors only two civilians, corruption and personal ambition in the army have given him trouble. The focus of dissent is the artillery corps—an old quarrel (viz. the *Juntas de Defensa*). The same sort of arbitrary promotions on the basis of favoritism instead of seniority which caused the 1917 outbreak, caused in large part the revolt in 1926 and in January, 1929. For these outbreaks Primo and the king must bear their share of responsibility. Though the Conservative party, in the figure of ex-Premier Sanchez Guerra, according to reports, supported by the Queen Mother, was involved, the conflict was purely concerned with official preferment and special privileges. Court intrigue, Conservative distrust of Primo and the selfish ambitions of the military group explain the second unsuccessful revolt which faced the dictatorship this year. The best proof is that Sanchez Guerra, the civilian leader, is in prison still, while his colleague, General Castro Girona, who backed out of the plot at the last moment, owing to the tearful importunities of his wife and the Archbishop of Valencia, is—after a short imprisonment—walking the streets in liberty.

The artillery corps, for the second time, was dissolved, and the artillery school was abolished, though Primo even subsidized the parents whose children had lost their careers! Quaint punishment! A few arrests.

No court-martial of the commanders. The artillery officers can be reinstated whenever they make application. A little quarrel within the military family.

THE STUDENTS' REVOLT

Concessions to the military group (and to the Augustine and Jesuit orders) have had repercussion in the students' strike of March. The students presented memorials to the Dictator against the granting of improper educational privileges—detrimental to the students in the regular national institutions—to army schools and ecclesiastical colleges. Their memorials went unanswered. A general strike was called. Wholesale arrests ensued. The president of the students' federation, Antonio Maria Sbert, has been held for months incommunicado in a remote, dismal castle prison. Five of the national universities have been closed. Leading professors have been discharged or have resigned. Manifestations, street riots, bloodshed, disorder and a stream of daily subversive secret bulletins marked the course of this conflict. The student strike has been the only overt popular stroke against the dictatorship. Undoubtedly the students were egged on by other opposition elements too cowardly to come into the open.

The foregoing survey of the Spanish situation indicates the general way in which political lines are drawn. For the present, in spite of the café rumors to the contrary, the Dictator counts upon the crown. He counts upon the military clique (though other generals have ambitions and the artillery corps cannot be counted upon). The Dictator enjoys the full support of the clerical elements, to whom he has made even greater concessions than to the

army and which have participated liberally in the various feudal monopolies created by royal decree. Until recently he also counted upon the support of the Catalán manufacturers, who were grateful for his suppression of the Catalán labor movement; but his attacks upon Catalán cultural sentiments and his failure to grant greater concessions to this powerful group, have driven them back into the opposition separatist camp. In general, Catalonia is bitterly against him. He has the lukewarm support of the Socialist party and the allied Union General de Trabajadores (national labor confederation) whose leaders have been bought off by being given positions in the public service.

On the other hand, he is opposed by the Conservatives, Liberals, Reformists, Republicans and Communists, whose leaders have spent goodly terms in jail. Yet none of these groups, except the Socialists, has any effective organization. They, in turn, were all corrupted by the parliamentary system in which they participated before the coming of the dictatorship.

UNOPPOSED DICTATORSHIP

In other words, the dictatorship in Spain, despite recent ebullitions, seems to have a better chance for survival than any of its immediate enemies. True, the dictatorship is not popular; it is damned by the public. Talk runs high in the cafés. Subversive literature flits from hand to hand. When I was in Spain nine years ago, the popular saying was, "The government is pretty bad, but the King is all right." Today criticism is even more bitter, except among the Conservative party,

against the King than against Primo. But it is merely talk which runs along the plate glass mirrors of the Alcalá cafés. Primo is thoroughly unpopular. The King is now equally unpopular; but no one is particularly interested in doing anything about it. Everybody is waiting for the miracle to happen. "If I do not win with this lottery ticket, I shall join the Republican party," was a remark I heard only yesterday—typically Spanish. In spite of popular discontent, in spite of two years of bad crops, in spite of a soaring debt, in spite of unhealthy fluctuations in the value of the peseta, in spite of the financial failure of the Seville and Barcelona expositions, in spite of unsound State monopolies to benefit favorites, in spite of the fact that the jails are full of dissidents, in spite of the staggering military and ecclesiastical burden, the old political parties remain demoralized and no new ones have taken their place.

It is true that this year marks a definite turn, the setting in motion of significant forces of opposition—the army split, the students' fight, the founding of a new semi-secret Republican party, a greater lukewarmness among the Socialists, the further alienation of the Conservatives; yet it does not appear that any of these tendencies will mature rapidly. Already the Republicans show indications of splitting into three antagonistic groups. Barring accidents, only the forces which made Primo can at present unmake him—the King or the army, or both. But Primo takes good care to please the army—and the King continues to sign all of Primo's decrees.

MADRID, May, 1929.

The Issues Involved in China's Latest Strife

By *WILBUR BURTON*

FORMERLY NEWSPAPER CORRESPONDENT IN CHINA

DURING the early Spring of 1927 an army bearing the flag of Chinese Nationalism and ostensibly commanded by General Chiang Kai-shek swept through Central China. Hankow already had fallen; Shanghai also fell. On Chiang's staff, keeping himself as inconspicuous as possible, was General Gallens, generally accredited as the "master mind" of the Red Army of Soviet Russia.

Nothing, it seemed, could keep General Chiang from going on to Peking. But he chose to stop in Shanghai and establish a capital of his own in Nanking. He announced a breach with the so-called "Red régime" of the Hankow Nationalists and formed a new "white" Nationalist faction. In consequence, Chiang and Gallens parted company, the Bolshevik warrior returning to Hankow. Chiang, once his new government was under way, made another effort to go on to Peking, but with little success. His military prowess apparently deserted him when General Gallens took his departure.

General Gallens and the Hankow Nationalists also set forth to capture Peking for themselves. General Chiang had both Canton and Shanghai; the Hankow Nationalists were bottled up in the interior, but Peking was their goal.

The chief obstacle lying between both Hankow and Shanghai and Pe-

king, the then capital of China, was the army of General Feng Yu-hsiang, centring chiefly in Honan, but extending all over Northwest China and an omnipresent menace to Chang Tso-lin, at that time overlord of the Peking area. No one knew much about Feng or his resources at the moment. In 1925 he himself had been overlord of Peking, but in 1926 he had been badly defeated by Chang Tso-lin and had presumably retired. Early in 1927 he reappeared in command of a large army and apparently was formidable. Would he support Nanking or Hankow?

Feng first held a parley with Hankow emissaries and promised them aid in return for money and munitions. Shortly thereafter he made precisely the same terms with agents of Nanking. He kept his promise to the latter; Hankow, unable to reach Peking, dissolved and General Gallens, as well as Michael Borodin and the other Soviet advisers, left China.

Feng again retired into the background, now and then renewing lip-service to General Chiang Kai-shek and the Nanking Nationalists, and in the meantime General Chiang obtained the service of another military "master mind"—Colonel Max Bauer, the right-hand man of General Ludendorff in the World War and one of the world's greatest ge-

niuses in mobilizing and organizing economic and industrial resources for State service in peace and war. He was certainly an ideal man to aid in Chinese reconstruction. Furthermore, Chiang Kai-shek finally extended the sway of Nanking over all China, including the eighteen provinces south of the Great Wall and the three provinces in Manchuria beyond. Chang Tso-lin fled Peking and was killed, the capital was removed to Nanking, and China, for the first time since the empire was abolished, seemed united.

There were occasional outbreaks of disgruntled and petty war lords, one of such this past Spring in the Hankow area reaching serious proportions. It was, however, crushed in a brilliant offensive and all observers gave much of the credit to Colonel Bauer, who on May 6 died of smallpox in Shanghai. On May 8 war started anew, this time between Kwangsi and Kwangtung, where Canton is located, and on May 24 the government at Nanking formally ordered the arrest of General Feng as a rebel. General Feng, late in May, issued a defiant answer and the rival forces were preparing for war. Thus another cycle of Cathay ended and a new one began.

CHIANG VERSUS FENG.

What will be the outcome of this new struggle no one dare predict, though we may enumerate certain probabilities. The breach between General Chiang Kai-shek and General Feng Yu-hsiang was certainly not unexpected. It was, in fact, almost certain. Superficially it might appear to be a simple struggle for power that has been so characteristic of Chinese politics ever since the Chinese decided that rulers were made on earth instead of in heaven. Undeniably it is a struggle for pow-

er, but beneath the surface there are many clear-cut differences of policies.

The Nanking Nationalists, headed by General Chiang, might well be described as liberal Fascists. They represent a dictatorship of the bourgeois, intensely nationalist and not too much concerned with legal technicalities. They are a minority without democratic pretenses, although their ideology presupposes "the well-being of all." They are avowedly anti-Communist, but make an effort to enlist the support of the proletariat through State-controlled unions and by paternalistic promulgations. They have never displayed the ruthlessness of the Italian Fascists and are more tolerant of personal liberty.

Their first great objective is national independence. Recognition of China's "place in the sun" is demanded of the world. So far their progress has been sensational. Tariff autonomy came into effect on Feb. 1, 1929—the greatest single step China yet has taken on the road to complete nationalism. Despite Japanese objections the flag of Nanking was raised over Manchuria. Italy, Belgium, Spain, Denmark and Portugal have signed treaties for the abolition of extra-territoriality by Jan. 1, 1930. All "unequal" treaties with Germany and Russia have long since ended. Further, the Nanking Government has obtained *de jure* recognition by all the great powers, something no other Chinese government has been able to achieve for a decade.

Early this year a mob of students in Nanking, inspired by an exuberance far outpacing diplomacy, attacked and wrecked the home of Dr. C. T. Wang, the Foreign Minister, because he was negotiating with Japan while Japanese troops still were quartered in Tsingtao and Tsi-



CHIANG KAI-SHEK

President of the Nationalist Government
of China

nan. General Chiang, who also is the Nationalist President, faced the mob in person to remonstrate. "Should you proceed in a violent manner," he declared, "you provide opportunities for bad elements to bring discredit upon the government. The present Nationalist Government is proceeding in a true revolutionary spirit and should you find that the unequal treaties are not abolished and all foreign troops withdrawn from Chinese soil within three years, then you may cut off my head." Chiang's pledge was more than a mere rhetorical flourish. The Chinese masses are impatient of what they know as "foreign imperialism"—rightly or wrongly they believe many of their economic and social ills spring from this source—and they will not long accept excuses in lieu of deeds. The anti-Japanese

boycott, which was in progress while Chiang spoke, doubtless was an important if not the deciding factor in the evacuation three months later of the Japanese troops, who were so offensive to the Nanking students.

REACTION AGAINST COMMUNISM.

It is significant that the rise of Chinese Fascism followed much the same course as it did in Italy, a reaction against communism. There is even a further parallel. It will be recalled that Mussolini, as well as other Italian Fascists, obtained their training and learned their tactics of statesmanship as Red or near-Red leaders. Similarly, most of the present Chinese Nationalist leaders—Chiang Kai-shek, Minister of Finance T. V. Soong, and Sun Fo and Wang Ching-wei of the Central Executive Committee—learned their lessons in government as lieutenants of Michael Borodin, the Soviet adviser of the near-communist experiments in Canton and Hankow. Like Mussolini and his aides, the Chinese discovered the profound psychological fact that the same *modus operandi* can be employed for either Fascism or Bolshevism.

During the halcyon days of unity—from the Spring of 1928 to the Spring of 1929—much progress was made. Dr. Wang, as clever a Foreign Minister as one finds in any world capital, carried on the negotiation of new and "equal" treaties as has already been outlined. T. V. Soong, who has as much knowledge of the intricacies of finance as is generally credited to Mr. Mellon, put taxation and expenditure on a good, modern basis. Social revolution, symbolized by bobbed hair and including such innovations as freedom for women and free marriage, was encouraged. Foreign governments were placated instead of being

antagonized and scores of foreign advisers, including Colonel Bauer, were called upon to help modernize and industrialize China.

Clouds, however, never disappeared from the horizon. Efforts were made to popularize the Nanking régime with the masses, but the encouragement given the workers and peasants was more moral than economic. Provincial autonomy, the Chinese equivalent of States' rights, has always been a strong principle in the Chinese scheme of things, even under the empire. Nanking frequently ran afoul of this dogma while lacking the necessary force for ruthless centralization. The uprising in Central China which was crushed by the military genius of Colonel Bauer was precipitated by Nanking's restricting the local chieftains. And Colonel Bauer is dead.

FENG AS A LEADER

As to General Feng, he would be easily understood if he offered the possibilities of a Chinese Lenin or a Kemal Pasha. He resembles both and neither. He is nearer the Western type of leader than any other Chinese living, but he still retains many Oriental traits that make him inexplicable to the Occidental imagination. Where most Chinese are compromising to a fault, General Feng is defiantly uncompromising. Where the majority of his fellow-countrymen are tolerant, he is as intolerant as a Puritan. He is endowed with remarkable energy, even measured by Western standards. In this he also is different from the more common Chinese type, whose strength is inertia instead of driving power.

Feng has principles, although he may appear to Western eyes merely as a champion double-dealer and

feudal war lord. "As faithless as Feng" has become a metaphor among his enemies. He is credited with deceiving both Wu Pei-fu and Chang Tso-lin, his former chiefs. He once was an avowed Fundamentalist Christian and hailed by many missionaries as the "Christian General," but today he gives neither this hope nor encouragement. He undeniably received assistance both in money and munitions from Soviet Russia while he was overlord of Peking, but he played a decisive rôle in driving his former Bolshevik advisers from China, after promising them support against Nanking.

Nevertheless, Feng has principles. He is a practical Puritan in that he always has striven to eliminate gambling, prostitution and opium smoking from the areas he has ruled. He is genuinely interested in the welfare of the peasants, who comprise more than eighty per cent of China's population. His nationalistic ardor cannot be disputed. He is a stern disciplinarian and has always had the best-behaved and most efficient army in China. He also is a practical statesman; wherever he has held sway, he has builded roads, reconstructed villages, established schools and aided agriculture. He acted, while Nanking promulgated programs.

No present Chinese leader knows better the peasants or has their interests more genuinely at heart than Feng Yu-hsiang. He himself sprang from peasant stock, and he is astute in his dealings with them. It is customary, for example, for most war lords to commandeer the peasants, without compensation, to perform such a function as pulling an automobile out of the mud. When Feng's car is mired, he calls upon the peasants to retrieve it, and then distributes \$4 or \$5 among them. Such

tactics probably make him more popular than his road building.

Feng is ruthless. He follows the principle that the end justifies the means. His will-to-power is tremendously developed, and here, too, he is different from most Chinese leaders. With most of the politicians and war lords the will-to-power is merely the will-to-wealth; they use their power to "squeeze" their subjects as much as they can and then are willing to retire to some safe treaty port or Japan. Feng loves governing for its own sake; he neither "squeezes" nor tolerates "squeezing," and he never has accumulated personal wealth. He governs with a mailed fist, but he maintains security, peace and economy, and his rule is always welcome to the masses, who are steeped in a materialism wrought by centuries of fierce struggle for existence.

THREAT TO NANKING

Feng's bid for power is a serious threat to Nanking, which represents the bourgeois and landed gentry as against the workers and peasants. As Borodin once remarked, however, "the masses have the slogans and the soldiers have the guns." Feng has many soldiers and many guns, but whether he can compete with Nanking in this regard remains to be seen. Nanking propagandists are making the charge that Feng again is being subsidized by Moscow. As in the United States, this generally is charged against those who oppose the powers that be. On the other hand, the charge may well be true despite Feng's protestations to the contrary. It might seem that the Soviet chiefs would not again place confidence in the man who once betrayed them, but Feng is probably more acceptable to Moscow than any other important Chinese leader at

the present time. It is significant that when Borodin evacuated China, he passed through Feng's territory, whereas he did not dare enter Chiang's domain. It also is significant that Feng and Borodin held many conferences at that time. Further, it would only be logical Bolshevik tactics to promote civil strife in China on the chance that the Communists might benefit.

The ousting of Borodin and the killing of numerous Chinese Communists did not eliminate revolutionary factors. Workers and peasants have received many promises since their Bolshevik-inspired revolts of 1927, but, excepting in Feng's territory, nothing practical has been done to mitigate their condition. South China peasants are as landless as they ever were and rents still absorb from 40 to 75 per cent of the produce of the soil. Usurers still prosper at 10 per cent interest a month. Taxes are as high as ever on both the landed peasants in the north—75 per cent of the Shantung peasants, for example, own land, but few more than an acre apiece—and those without land in the south. "Squeeze" likewise continues unabated.

The gentry system of village government, the gentry being composed of the families who dominate by right of heredity and wealth, continues as deep-rooted as ever and stands ready to battle against change. Even when Dr. Sun Yat-sen, the father of the Nationalists, was in complete control of Kwangtung province, he was never able to enforce his rent reduction decrees, because the gentry were so firmly entrenched. Only a man of Feng's energy and ruthlessness or a successful agrarian revolution can dislodge this century-old system of exploitation.

China has only about 1,000,000

factory workers out of 400,000,000 population, but they have always proved militant and, since most of them are concentrated in the Shanghai area, they constitute a potential menace to the Nanking régime. They are restive and doubtless still receive encouragement and maybe more from their Bolshevik mentors of 1925-26-27. Their wages have gone down more than up under Nanking Fascism, and promises cannot fill their rice-bowls.

FENG AGAINST REVOLUTION

Feng himself, without or with Soviet aid, is not likely to encourage another revolution like that of 1927, when free love and forcible seizure of land were rampant in the area over which Borodin advised. The peasants themselves were aghast at the orgies of divorce and similar social innovations; Feng, Puritan that he is, shares their prejudices. He is far more enthusiastic over modern roads than companionate marriage. Free marriage is practically the limit of Feng's revolutionary social beliefs. He might or might not sanction the seizure of land from the large landlords; such a policy in his mind would be a question of political expediency rather than principle. Certainly he would not regard landlords as sacrosanct.

If Moscow is aiding Feng it is probably with the idea of overthrowing the present Nanking régime, which has ever been so antagonistic to the Soviet Union, instead of a *prima facie* attempt to establish communism in China. If Feng triumphed with Moscow aid, it then would be a struggle between the Chinese Communist party and Feng. Kemal Pasha was undoubtedly assisted to power in Turkey by Moscow, but that did not prevent him from drowning the last of the Turk-

ish Communists in the Black Sea, nor did these drownings cause Moscow to discontinue friendly relations with Kemal. Comment is needless.

If the Russian Communists are not assisting Feng, they will, without doubt, use the Feng-Chiang struggle to the best possible advantage of the Chinese Communist party. That party, outlawed since the Summer of 1927, probably has much underground strength among the landless peasants of South China and the industrial workers. There are even Soviets still existing in some of the more remote villages, and only the proper encouragement is needed to fan anew the flames that have been smoldering for the past two years. All this encouragement may not come from the Third International; civil war in China on the scale now threatened is likely to result in the landing of foreign troops on Chinese soil "to protect foreign lives and interests," as well as vast additions to the fleet of gunboats. "Incidents" may follow in their wake and the anti-foreign feeling that Nanking has kept well suppressed, is apt again to break forth and be capitalized to the limit by the Communists. There is danger also that some foreign nations will give indications of supporting the Nanking régime, and such would help both Feng and the Communists.

POSSIBILITIES OF MILITARISM

China—Fascist, Communist, or militarist? If Nanking wins it is safe to assume that the Fascist policies of the past year will continue. If Feng wins the very nature of the man would lead to the assumption that he would establish a régime of stern but somewhat benevolent militarism, a sort of Bismarckian feudalism with pink and even Red possibilities. It is difficult to see how

communism, using the word in its Bolshevik rather than its theoretical sense, could triumph with any degree of permanence. "Land and peace" was the simple platform that ushered the Bolsheviks into power. "Land" is only an effective cry in parts of China, and is positively a boomerang in North China, where there are so many landed peasants. Nowhere are there large landholders such as existed in Czarist Russia. "Peace" would not have the same meaning in a civil war as in a foreign war. Moreover, the communists have no exclusive control of that cry in China. All sides could use it equally well, whereas in Russia Kerensky wanted to continue fighting a foreign nation, in a war that never had been popular.

Custom and tradition still have a tremendous hold on the Chinese people, and communism, where it was successful, would probably run to such excesses that it would, as in 1927, arouse the hostility of those to whom it was designed to appeal.

The Communists might, however, be favored by one dispensation that aided them so greatly in Russia—foreign intervention. Already one can hear the Shanghai and other treaty port "diehards" clamoring for intervention even as they have in previous civil wars. A few ever imminent "incidents," such as riots similar to those in Nanking in 1927, which resulted in the loss of foreign lives, might easily lead to the intervention that was so narrowly avert-

ed at the time of the Nanking "incident." Considering the hold that nationalism now has on the hearts of the Chinese people, intervention would produce results that might be even worse than communism all over the Asiatic continent, that so long has chafed under the white man's domineering "superiority."

In conclusion it is well to consider that Fascism, communism or militarism may not be either the immediate or future answer to the Chinese puzzle. Nothing definite has ever yet developed from the civil war which has been almost unceasing since the successful revolution against the Manchus in 1911—nothing, at least, more definite than chaos. The present struggle may not achieve anything of greater finality. Perhaps each struggle may be bringing China nearer to some inevitable goal, but astrology is probably as useful as the social sciences in determining the end.

Putnam Weale, who at his best is an unusually astute and intelligent observer of the strange land in which he has spent his life, somewhere says: "A remarkable world drama is developing out here under the cover of this endless Chinese warfare, which even the most intelligent persons have not yet properly understood. If it were possible to see a vision of the world twenty-five years from now, there might be stupefaction." Whatever happens unquestionably will be stupefying to many persons.

World-Wide Changes in Trade Due To Panama Canal

By *ROGER D. LAPHAM*
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ON Aug. 15, 1914, while the whole world was deaf to all else but the roar of the conflict just begun in Europe, a vessel of commerce made its way quietly and peacefully between the Atlantic and the Pacific by way of the Panama Canal. However unheralded at the time, that was an event in the history of commerce comparable only with the opening of the great Suez Canal almost half a century earlier. The effect of the Suez waterway was to alter materially the commercial, economic and even political life of India and large portions of Asia, and the forces released by its operation continue today to play no unimportant part in shaping the course of international events. Hence, although it may be yet too early to say what in its entirety the effect of the Panama Canal has been, it can be in strictest truth remarked that its opening was no less charged with wide significance; and its operation has proved of vast benefit not only to America but to the whole world. This benefit has been more direct and immediate in the case of our own country, but with the use of the canal permitted on equal terms to vessels of all nations, there is scarcely a region of the globe which has not been touched and in some degree influenced by the great waterway which American genius

and vision completed a century and a quarter after the first American ships had departed the New England seaboard and sailed around Cape Horn into the Pacific Ocean.

From that day in 1791 onward the two great oceans were linked by an increasing number of voyages of American ships, and the eyes of the American people turned more and more toward the North American shores of the Pacific. Accordingly, it was natural that when by the settlement of the Oregon boundary and the Mexican war we secured possession of a long frontage on the Pacific, men's minds became seriously concerned with possible ways of piercing the isthmus which stood as a slender but none the less formidable barrier against the passage of ships from ocean to ocean. And when, within that territory accruing from the Mexican war, gold was discovered in vast quantity, and men by the thousands sought quickest possible passage to California, one group of American capitalists promptly constructed the Panama Railroad, opened to traffic in 1855, and another, headed by Cornelius Vanderbilt (then active in shipping and about to become dominant in railroads), organized a company which secured rights to build a canal across Nicaragua. This project failed to get beyond the preliminary stages of discussion and investiga-

tion, but between 1850 and 1880 there was scarcely a time when studies and surveys of transisthmian routes were not under way. Then came the attempt of the French under De Lesseps to pierce the barrier at Panama, which failed as much through inability to conquer disease as to secure the requisite financial support. Finally, with the failure of private endeavor, both in Panama and Nicaragua, our own government, after much hesitancy and long delay, went in. After making a series of surveys of both the 110-mile Nicaraguan and the forty-mile Panaman route, it decided in favor of the latter, secured the necessary permission from the Republic of Panama, bought out the French concern, obtained from Great Britain such modification of existing agreements as made construction, maintenance and defense of an isthmian canal possible, and in the year 1904 began actual construction.

Ten years later the "big ditch," which judged from merely the spectacular point of view is one of the most majestic and inspiring works of construction ever achieved by man, was finished; and the traveler who, today, passes through the imposing flights of locks at Gatun and over the wide-spreading artificial sea bearing the same name, thence cautiously but surely along the great gash through the mountain divide, and down through the locks again to sea level at the Pacific, has difficulty in realizing either that the Panama Canal has not always existed or that it took years of debate and persuasion to make the country realize that it was possible and desirable thus to link the two great oceans. No American seeing the canal for the first time can help but feel proud of what his country has done for modern civilization.

The canal is an engineering monument and, like all great things, inspires by its very simplicity. Nevertheless, this waterway, through which is flowing an increasing amount of the commerce of the world, has not even yet received the attention and credit which is its due. Although much was heard of it when it was in the process of building—the mighty feats of engineering that had to be performed, the enormous finances required, and the heroic and successful battle of General Gorgas to conquer yellow fever—the fact that its opening, which had been expected to be marked by world celebration, occurred during the World War, prevented the public from thinking about it until it had been so long in operation as to be accepted as commonplace. Yet future generations will regard its opening as significant as that of the first transcontinental railway.

A COMMERCIAL NECESSITY

It has sometimes been remarked that the Panama Canal is for the people of the United States a military convenience and a commercial necessity. I had rather the statement were reversed. To be sure, before its opening we had to maintain two fleets, each as an independent and wholly self-sufficient unit, and the units could not unite without steaming thousands of miles; hence the canal was built to shorten the distance and time of voyages for war vessels as well as merchant ships. But it seems to me that its commercial services should be ranked first, and its military usefulness, however important now or in the future, second. Though I by no means minimize the value of a service which offers as much to our navy as it does, the great importance of the canal has so far been to

remove the chief physical obstacle to the development of our maritime commerce and to make possible during the years of difficulty in world shipping after the war the development of an intercoastal trade which has proved the refuge of our American merchant marine. Seventy years ago we divided honors with Great Britain as mistress of the sea, but today, except for our coastwise shipping, which depends upon the canal entirely, we would hold no more than fourth or fifth place. Although few people realize it, it is nevertheless a fact that but for the Panama Canal the American merchant marine would have been well-nigh driven from the sea.

Again, while the military usefulness of the Panama Canal was never lost sight of, its construction was hastened more than all else by the tremendous increase in traffic between the Atlantic and Pacific coasts, which had to move either around the Horn, through the Straits of Magellan, or across the Isthmus of Tehuantepec by way of the Mexican National Railway connecting Puerto Mexico and Salina Cruz. As early as 1855 clipper ships were operated on something approaching a regular schedule around the Horn between New York and San Francisco, but in 1899, so great had been the increase in traffic, the sailing vessels were sold and replaced by steamers. By 1907 this trade had further increased to such an extent that the company owning these steamers divided its fleet, putting half of it in the Atlantic and half in the Pacific, and transshipping cargo across the Isthmus of Tehuantepec by rail. This so improved the service, despite the expense and delays of transshipment, that during the years 1907-1911, this trade more than doubled. Thus when, in 1914,

the canal was finally opened to traffic, it found ships and cargo in plenty to use it; and this despite the call upon shipping made by the World War. During the month of July, 1915, 170 vessels carrying 705,000 tons of cargo passed through the canal; and during the six months which preceded the closing of the canal in September, 1915, on account of slides, the traffic averaged over 600,000 tons a month.

SHORTER SEA TRIPS

To show the far-reaching effects of the Panama Canal on the commerce of the world, we need only point to the reduction of some of the distances effected. For example, the distance from New York to San Francisco via the Straits of Magellan is 13,135 miles, but via the Panama Canal, it is only 5,262 miles—a saving of 7,873 miles; Galveston to San Francisco via the Straits of Magellan, 13,727 miles, via Panama Canal, 4,787 miles, a saving of 8,940 miles; Galveston to Yokohama via the Suez Canal, 14,575 miles, via the Panama Canal, 9,323 miles, a saving of 5,252 miles; San Francisco to Liverpool via the Straits of Magellan, 13,502 miles, via Panama Canal, 7,836 miles, a saving of 5,666 miles; New York to Valparaiso via the Straits of Magellan, 8,380 miles via the Panama Canal, 4,633 miles, a saving of 3,947 miles; New York to Sydney, Australia, via the Suez, Colombo and Melbourne, 14,148 miles, via the Panama Canal and Tahiti, 9,811 miles, a saving of 4,337 miles. By virtue of the canal, Sydney is now 2,424 miles nearer New York than to Liverpool. From all this it can be easily seen that Europe, the Orient and Australasia, no less than our own country and continent, have been vitally affected by the Panama Canal. With these decisive cuts in

distances and times of voyages, old trade routes have given place to new, new trade has sprung up and developed, and in some instances a re-allocation of industries has taken place

EFFECT ON RAILROAD RATES

Even as early as 1916 the value of the canal in lowering the cost of transportation between the Atlantic and Pacific seaboards was seen in the effect it had in causing certain reductions in railroads' rates across the United States. The fears of some of the transcontinental railroads, however, as expressed in public statements—for example, that the canal would drive these railroads to bankruptcy—have been proven quite unjustified. For many years before the canal opened the railroads had been obliged to compete with coast-to-coast water carriers that transported in constantly increasing amount products which were not injuriously affected by the longer time required to move by water than by rail. Naturally, when the opening of the canal shortened the coast-to-coast distance so materially, many new commodities began moving by water, and to hold their share of the traffic the railroads were obliged to lessen their rates—to the advantage, of course, of both shipper and consignee. But for any losses which the railroads sustained on this account, they were ultimately compensated by new revenues derived from the increased business which the canal stimulated; new business which manufacturers were able to gain because the canal gave them entry to new world markets. If it were not for the canal, for instance, Pacific Coast canned fruits would be unable to enter certain foreign markets at all; and the increased output of the canning industry which the canal

has thus created has furnished additional revenue to the railroads, which must carry this product from orchard to cannery and from cannery to seaboard. Moreover, the canal, by making it possible for larger quantities of the imperishable commodities to move by water, has aided the railroads the better to handle perishables for which there are still seasonal car shortages.

The canal has also indirectly benefited the railroads, not only by affording a wider market for American goods, but also by enabling American industries to secure necessary materials more advantageously. Some needed materials would not bear the cost of transportation to the eastern seaboard of the United States before the opening of the canal. For instance, the canal had been open only a few months when a line of carriers was established to bring iron ore from Chile to Philadelphia and New York for shipment to the furnaces at South Bethlehem. Australian and Chinese wool for American mills, which used to be purchased in London, has since the opening of the canal been shipped directly from Australia and China to Boston and New York. Before the canal was a year old more than 60,000 tons of American grown cotton had passed through it, and in 1927 the amount reached 361,241 tons.

The industries of the two coasts of the United States have made large use of the canal. Oil, lumber, wheat, barley, canned goods, dried fruit, wool and other products, which are produced in large quantities on the Pacific Coast, have been able to reach their largest and best markets by way of the canal at greatly reduced costs of transportation. The saving on the one item of 673,743 tons of canned goods shipped from

the Pacific Coast in 1927 amounted to several million dollars. The canal has, in fact, given the whole western part of the United States vastly enlarged industrial opportunities. At the same time there have been corresponding reductions in transportation costs for the much more numerous and varied products that move through the canal westbound. The saving which the canal effects differs, of course, with the different products, and depends to some extent on where the product originates and its final destination. Eastbound cargo, being made up of comparatively few commodities, originates almost entirely in the three Pacific Coast States: California, Oregon and Washington; probably less than 15 per cent of it comes from outside this area. Westbound cargo, on the other hand, originates almost anywhere in the territory east of a line drawn between Cincinnati and Detroit. It may also originate to some extent in and around Chicago and south of Chicago, moving from the former regions by rail, or rail and water, to the Atlantic seaboard, and in the latter case either by rail or Mississippi River barges to New Orleans, thence via the canal.

COST MORE THAN REPAID

A conservative estimate indicates that the average saving effected by the canal in transportation costs is about \$10 a ton on the commodities that make up our coast-to-coast commerce. During the fiscal year ended June 30, 1927, according to official records, 27,748,250 tons of cargo went through the canal. Of this amount about two-thirds was probably domestic commerce, so that at an average of \$10 a ton the canal saved the people of the United States over \$184,000,000 in transportation costs. On the same basis of compu-

tation it appears that during the twelve years of its regular operation the canal has thus saved the American people at least \$1,000,000,000—approximately two and one-half times the entire cost.

With the excess of production over home consumption steadily increasing, America must turn more and more to foreign markets for the sale of these excess goods, and since this means lively competition with other nations which are also producing more than they consume, the economies of transportation effected by the canal become of the utmost importance. Though not built primarily for that purpose, one of the great benefits of the canal bestowed on the United States is the reduction it has made in the cost of reaching markets abroad with our goods.

The canal is, as has been remarked, a most valuable naval asset to the United States. It has brought the formerly separated units of our fleet together, and increased its mobility by making it possible for squadrons to pass swiftly from one ocean to the other. But perhaps its greatest aid to our naval strength is the encouragement it has given to the upbuilding of a merchant marine, without which the most mighty of navies is severely handicapped. The canal has already done a very great deal to help our merchant marine to help itself. To its aid should now be added that of effective national legislation which has already been too long delayed. Having invested some \$400,000,000 in the building of the Panama Canal, it would be a mistake not to adopt such a policy toward our merchant ships as will enable the canal to be of still more effective assistance in restoring the merchant marine to the place it held during the greater portion of the last century.

The British General Election

I—Causes of the Labor Victory

By WICKHAM STEED

FORMER EDITOR, *The Times*, LONDON

MR. STANLEY BALDWIN, the Conservative Prime Minister who has held office since November, 1924, has resigned, and Mr. Ramsay MacDonald, the leader of the Labor party, is in power. The change is important and may be momentous. What are the reasons for it, and what will be its effect?

With the statisticians who are now busily dissecting the election returns, in the hope of extracting from them the precise significance of the general election, I have little patience. Their efforts leave me cold—as cold as the attempts of students of post-war documents to assess the exact responsibility for the outbreak of the World War. From the Spring of 1909 onward I knew that the peace of Europe was at the mercy of any serious Austro-Serbian dispute, and that, when the dispute arose, Great Britain would have to land an army in Belgium or France within ten days. Since the end of 1926 I have known that the Baldwin Administration would be heavily defeated at the next general election, and have been convinced that it would lose 150 of the 415 seats it originally held in the last House of Commons. In both cases the logic of events was bound to work itself out in a given atmosphere to a given conclusion.

In Great Britain there are two

methods of ascertaining how the logic of events will work. One of them is to examine carefully the record of past elections and to cast a horoscope according to the theory of probabilities. For this method I have no talent, though the artists who practice it successfully inspire me with admiration. One of them, an eminent political writer, possesses an exhaustive statistical analysis of every British general election since 1832. On the strength of it he informed me, a few days before the polling took place, on May 30, that the Conservatives could hardly avoid losing 165 of the 400 seats which they still held at the date of dissolution, fifteen having already been lost to Labor and the Liberals at by-elections during the past two or three years. As his allegiance is Conservative he mourned over the prospect. Had not the incalculable play of "triangular contests" in 444 constituencies upset some of his deductions, he would have been almost exactly right. Yet, at that moment, Mr. Baldwin and his supporters were still confident of victory.

The other method, which I invariably employ, is to walk by faith, not by sight; to judge by intuition rather than by conscious reasoning. My own forecast, which I had written to my eminent colleague, was that the Conservatives would do well

if they retained more than 240 seats. Thanks to the "triangular contests" they held about 255. [Later returns have increased this to 260].

I have rarely found the intuitive method misleading. In October, 1922, when the late Mr. Bonar Law was undecided whether or not to lead the Conservative revolt against the Lloyd George Coalition Cabinet—a revolt which Mr. Stanley Baldwin had already begun—I assured him that if he should lead it and overthrow the coalition, he would, as Prime Minister, get a majority of seventy-five seats in a new House of Commons. He asked me where I got my figures, and said that Sir George (afterwards Viscount) Younger, the organizer-in-chief of the Conservative party, who had examined all the figures minutely, could promise him a majority of only twenty-five. I answered that the logic of things would give him a majority of seventy-five.

BONAR LAW'S REVOLT

A few days later Bonar Law led the revolt at the famous Carlton Club meeting on Oct. 19, 1922, overturned the Lloyd George Coalition, accepted the Premiership, dissolved Parliament and gained a majority of 78. This majority Mr. Stanley Baldwin inherited after the fatal illness of Bonar Law in the Spring of 1923. Within six months, Mr. Baldwin lost heart, and plunged recklessly into another general election on the issue of Tariff Reform. The country resented his action. On the day of dissolution Mrs. Asquith (as she then was) asked me to forecast the result. I said the Tories would lose 90 seats. She and her guests were skeptical. Still more incredulous was the late Lord Milner on the afternoon of polling day when, in

reply to his inquiry how I thought the election was going, I repeated my assurance that his party would lose 90 seats. The full returns showed that it had lost exactly that number.

After the defeat of the Labor Government in October, 1924, but before the notorious "Red Letter" was mysteriously produced, I thought the Conservatives would gain a small working majority. In the stampede which followed the publication of that plausible forgery, nothing was certain save that there would be an "anti-Red" landslide. It gave Mr. Baldwin 415 seats in a House of 615. Hundreds of thousands, perhaps millions, of voters who might otherwise have supported Liberal or moderate Labor candidates, rushed into the Conservative camp as the safest refuge against the wiles of Moscow. Mr. Baldwin and his colleagues took the places of Mr. Ramsay MacDonald and the members of the Labor Government at the annual banquet of the Lord Mayor of London on Nov. 10, 1924. At that banquet Mr. Baldwin said:

"I would say in passing that neither I nor any one of my colleagues is under any misapprehension as to the significance of the election which has taken place. We know that it is the testimony of our countrymen in favor of progress and not of stagnation. * * * We know that we have received support from many of those who at ordinary times might have given their support to other parties. But they have attempted to put in power a national government, and it is in the exercise of that trust that we shall endeavor to deserve their confidence."

The same assurance that their huge majority was a "national trust," not a party triumph, and



STANLEY BALDWIN

Leader of the British Conservatives, whose government has been replaced by that of Ramsay MacDonald

that they would use it in a spirit of trusteeship for the whole people irrespective of party, was subsequently given, again and again, by Mr. Baldwin and his colleagues. The country heard it with satisfaction. For eighteen months Mr. Baldwin lived up to his pledge. His popularity increased. No public man enjoyed so large a measure of personal esteem and confidence. He held Great Britain in the hollow of his hand.

Early in 1925 a group of extremists in the Conservative Party attempted to force Mr. Baldwin's hand. They reminded him that the party program included a promise to legislate against the "political levy" which the trade unions were wont to make upon their members as a compulsory contribution to the funds of the Labor Party; and they pressed the argument that, inasmuch as many trade unions did not

belong to the Labor Party this levy was an infringement of individual liberty. Therefore they called upon the Prime Minister to carry out the party undertaking. Mr. Baldwin put on his heaviest boots and trampled on them vigorously. It was not for the government, he declared, to use its national majority for party purposes. He, at any rate, would not be guilty of "firing the first shot" in what would look like class warfare.

Once again the whole nation applauded Mr. Baldwin. Evidently he meant what he had said. In foreign affairs, moreover, he was supporting Austen Chamberlain in an effort to carry still further the good work the Labor Government had done during its nine months' tenure of power in 1924 in promoting agreement between France and Germany on the basis of the Dawes plan. When, in October, 1925, the Locarno Settlement was announced the people felt that the Conservative Government was faithfully administering its "national trust."

BALDWIN'S HIGH-WATER MARK

This was the high-water mark of the Baldwin Administration. In March, 1926, the tide began to ebb. At the Special Assembly of the League of Nations, convened for the sole purpose of admitting Germany to the League in the "spirit of Locarno," a miserable wrangle arose over the allotment of seats on the League Council; the admission of Germany had to be postponed, and the League itself narrowly escaped shipwreck. Spain withdrew in dudgeon from Geneva. It transpired that sundry personal promises which Mr. (now Sir) Austen Chamberlain had unnecessarily made, had not been least among the causes of the wrangle. As Mr. Lloyd George

wickedly observed at a later stage, the "Locarno spirit was badly corked"; and it never tasted quite the same again.

THE COAL CRISIS

Meanwhile, trouble was brewing in the British coal industry. During the war some 200,000 extra miners had been employed to produce the coal which the Allies needed. After the war the industry could no longer support them and the industry itself needed thorough reorganization and rationalization. Between the coal owners and the miners a serious conflict was in sight. The retrograde element in the Conservative party and in Mr. Baldwin's Cabinet said, "Let them fight it out! The miners need to be taught a lesson." Mr. Baldwin thought otherwise. He appointed a strong and impartial Royal Commission, under the chairmanship of a Liberal, Sir Herbert Samuel, to inquire into and report upon the condition of the industry. He let it be understood that he would use his national majority to carry out the commission's recommendations. While it was sitting, he subsidized the industry to the extent of £23,000,000 so as to avoid a conflict. Then he wavered and lost heart. Instead of using the sound recommendations of the Samuel report to prevent a coal stoppage, he threw the responsibility of accepting it on to the coal owners and the miners. They disagreed, and the stoppage began. It was accompanied by a general strike of which the object was to coerce the government. With the support of an overwhelming volume of public feeling, Mr. Baldwin killed the general strike in less than a fortnight. The nation expected him to use this swift triumph as giving him authority to impose the re-

organization of the coal industry on coal owners and miners alike, and to drive them in double harness with the Samuel report as a whip.

Mr. Baldwin disappointed this expectation. In the Cabinet he allowed the partisans of the more retrograde coal owners to get the upper hand. The coal stoppage drifted disastrously on; the miners were starved into submission by the end of 1926; the railways were hard hit, and public feeling turned irrevocably against a government which had begun to betray a self-recognized national trust.

TRADE UNIONS BILL

Upon this sin of omission followed sins of commission. In May or June, 1926, a short, sharp bill declaring a general strike illegal and penalizing intimidation would have been generally welcomed. A year later, in May 1927, when Mr. Baldwin brought forward an egregious trade disputes and trade unions bill, and included in it a veto upon the trade union political levy, he seemed to be acting in a spirit of partisan vindictiveness. Public opinion looked upon the Conservatives as the Pecksniffs of individual liberty who were seeking in reality to cripple their political rivals. Mr. Baldwin, to do him justice, did not like the bill. But he was no longer master in his own Cabinet. He appealed for parliamentary help, and got it so heartily that the bill was turned inside out, though something of its vindictive taint remained. It went onto the statute book as a piece of Tory class legislation.

Worse was to come. In June, 1927, the government's proposals for the reform of the House of Lords were announced. They were a disguised attempt to restore the supremacy of the hereditary over

the representative Chamber. A strong Opposition protest in which seventy "young Conservatives" joined, compelled the government hastily to drop their precious scheme.

By this time the mind of the people was made up. It was clear that the Tories would be turned out at the first opportunity. In the meantime the degeneration of foreign policy had continued. Sir Austen Chamberlain went out of his way to show personal friendship to Mussolini, the Italian Dictator, who promptly took advantage of it to establish an Italian Protectorate over Albania. In the Summer of 1927 the Three-Power Naval Conference at Geneva failed—for lack of political preparation—and Lord Cecil of Chelwood, who had worked for agreement with the United States, was allowed to resign from the Cabinet. A few weeks later Sir Austen Chamberlain, nettled by criticisms of British policy, treated the League Assembly to an impassioned harangue in which he spoke of "your League"—as though Great Britain and the Dominions were not members of it—and threatened that, if the League should persist in attempting to insure universal peace, Great Britain might have to choose between the British Empire and the League, and would not choose the League.

UNPOPULAR FOREIGN POLICY

Thus he began to estrange the supporters of international peace and goodwill; and they are legion in Great Britain. He estranged them completely when he gave a lukewarm reception to the Kellogg proposals early in 1928; and he turned their estrangement into active hostility when he negotiated, concurrently with the Kellogg Pact, an

Anglo-French naval compromise intrinsically obnoxious to the United States. Against this compromise the whole country revolted; but neither Sir Austen Chamberlain, after his illness, nor the government, during his illness, expressed regret. Nor did they pay heed to subsequent suggestions from the United States for another Naval Conference to reduce armaments by agreement. Not until President Hoover, speaking by the mouth of Mr. Gibson at Geneva, made his offer to reduce naval armaments to any level that might be agreed upon, was there an appreciative response from the British Government. Even then Mr. Bridgeman, the First Lord of the Admiralty, appealed publicly to the United States not to "force the pace."

DEMAND FOR PEACE

Throughout this long series of blunders, shortcomings, and disappointments the heart of the country was set upon peace and disarmament in agreement with the United States. So strong was its desire that Mr. Lloyd George, who had begun by making unemployment the sole issue of his electoral campaign, soon found it expedient to put peace and disarmament in the foreground. Mr. Ramsay MacDonald, who had been sound on peace throughout, also put the peace question first in his final broadcast appeal to the electorate. Mr. Baldwin, on the other hand, only mentioned peace perfunctorily, and suggested that Great Britain had done her whole duty by going further in the reduction of armaments than any other country had gone.

In the light of these antecedents, what is the moral of the general election? The two parties which insisted most strongly on disarma-

ment and peace polled more than 13,500,000 votes as compared with the 8,500,000 cast for the Conservatives, and secured some 347 seats against 260. Even if no account be taken of the large number of Conservative voters and members of Parliament who, while maintaining their party allegiance, are dissatisfied with its peace record, one clear moral of the election is that the country means to have peace and wishes its government to work heartily with the United States for drastic and speedy international disarmament on sea and land. Every dictator and reactionary in Europe has already noted this plain fact, and is feeling a little chilly in the marrow of his bones.

NO "SOCIALIST" DANGER

But is there no danger of "Socialism"? Though I have studied "Socialism" and its doctrines in many countries for well-nigh forty years I am still uncertain what they mean. But of one thing I am sure. The British people are not revolutionary. They are unlikely to "go Red" in such a way as to enable a Labor Government, even with a majority of its own, to turn things upsidedown. Labor is by no means unpatriotic, though it needs a more chastened program and a more liberal outlook. Until it gets them it will hardly command the confidence of the people in sufficient measure to secure a strong working majority. When it gets them, it will be about as "dangerous" as the Liberal Party was of old. The tendency in England is not toward "Socialism" if Socialism be taken to mean "the nationalization of all the means of production and distribution." Rather is it toward some form of "pan-Capitalism" in which voluntary co-operation between employers and

employed will lead to the economic enfranchisement of the masses who are already politically enfranchised.

In the general election the country intended to turn Toryism out, but did not intend to offer itself as a guinea pig for "Socialist" experiments. It has given the Labor Party a chance to gain further experience of the responsibilities of government, to complete another stage of the educational process which began when the late Mr. Asquith, by a wise and patriotic decision, put Labor in office five and a half years ago. Labor has now an opportunity to prove itself capable of exercising a national trust. Its lack of an absolute majority in the House of Commons frees it from the temptation of trying to carry out some of its cruder notions. In the pursuit of a sound, progressive policy at home and abroad, it will probably be able to count upon Liberal support. The fate of the Conservative Party should teach it that not even the possession of a huge majority would be a pledge of ultimate success, unless it were to use that majority as a trusteeship for the whole community.

This is, indeed, the abiding moral of the general election. I should not be surprised were the Labor Government gradually to strengthen its present position and to hold power for a much longer period than its opponents are inclined to assign to it. The greater part of the country hails the overthrow of Toryism—in the words of the *Manchester Guardian*—as "the end of a nightmare" and "the dawn of a new hope." It believes that there will now be a serious chance for the world to get on with the organization of lasting peace as a corollary to the renunciation of war.

LONDON, June, 1929.

II—Great Britain's Second Labor Government

By *RALSTON HAYDEN*

PROFESSOR OF POLITICAL SCIENCE, UNIVERSITY OF MICHIGAN

FOR the second time the British Labor party has taken over the government, with Ramsay MacDonald again Prime Minister, as the result of the notable victory gained at the general election on May 30. Though unable to secure a majority over all the other parties in the House of Commons, Labor emerged from the election with gains much beyond the hopes of its supporters or the fears of its opponents. The 615 seats in the new House of Commons are, at this writing, distributed as follows:

LABOR	288
CONSERVATIVES	260
LIBERALS	59
NATIONALISTS	3
PROHIBITIONIST	1
INDEPENDENTS	3
RESULTS UNKNOWN.....	1

The Conservative Government, headed by Stanley Baldwin, which had been in office since 1924, resigned on June 4, and three days later the new Labor Cabinet was announced as follows:

J. RAMSAY MACDONALD—Prime Minister and First Lord of the Treasury.
 Lord Justice SANKEY—Lord Chancellor.
 Lord PARMOOR—Lord President of the Council.
 J. H. THOMAS—Lord Privy Seal and Deputy Leader of the House of Commons.
 PHILIP SNOWDEN—Chancellor of the Exchequer.
 ARTHUR HENDERSON—Secretary of State for Foreign Affairs.
 J. R. CLYNES—Secretary of State for Home Affairs.
 SIDNEY WEBB—Secretary of State for the Colonies and Dominions.
 TOM SHAW—Secretary of State for War.
 Captain WEDGWOOD BENN—Secretary of State for India.

Lord THOMSON—Secretary of State for Air.
 ALBERT V. ALEXANDER—First Lord of the Admiralty.
 WILLIAM GRAHAM—President of the Board of Trade.
 Sir C. P. TREVELYAN—President of the Board of Education.
 ARTHUR GREENWOOD—Minister of Health.
 NOEL BUXTON—Minister of Agriculture and Fisheries.
 Miss MARGARET BONDFIELD—Minister of Labor.
 GEORGE LANSBURY—First Commissioner of Works.
 WILLIAM ADAMSON—Secretary for Scotland.
 Sir OSWALD MOSLEY—Chancellor of the Duchy of Lancaster.

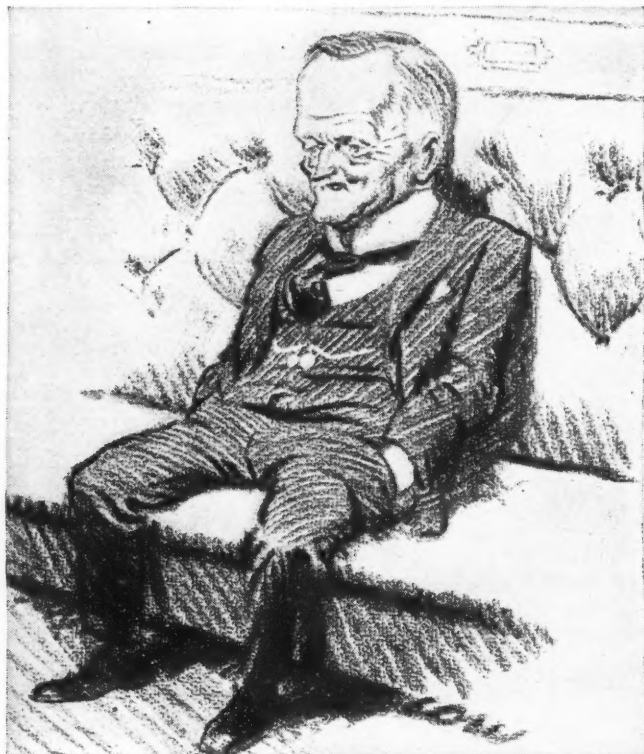
In addition, the following were appointed without Cabinet rank:

H. B. LEES-SMITH—Postmaster General.
 HERBERT MORRISON—Minister of Transport.
 FREDERICK O. ROBERTS—Minister of Pensions.
 WILLIAM A. JOWITT—Attorney General.
 J. B. MELVILLE—Solicitor General.

As was the case in 1924, Labor has entered office without possessing the power which comes to a government having within its own ranks a majority of the House of Commons. It lacks that majority by twenty, and can continue in power only by receiving the steady support of at least that many non-Labor members. Obviously, Mr. MacDonald hopes to obtain this support from the Liberals, a section of whom are more or less sympathetic to both Labor's foreign policy and its social aims. The Labor government in 1924, it will be remembered, was kept in office by the support of the

Liberals, then under Mr. Asquith's leadership. If Mr. Lloyd George, who is now the Liberal leader, can depend upon his followers to vote as a solid unit, he would be in a position to dictate terms on which he will support Mr. MacDonald. The

That statement must not be taken by either of the other parties to mean we are going to submit to any unfairness. I wish to make it quite clear that I am going to stand for no monkeying. It will rest with the two other parties, not with us, whether or not there will be an election within two years. That is all one can say just now. I have seen too much of the troubles and upsets to industry, finance and internal



A cartoon by Low in *Lions and Lambs* (Harcourt, Brace)

PHILIP SNOWDEN

The British Chancellor of the Exchequer

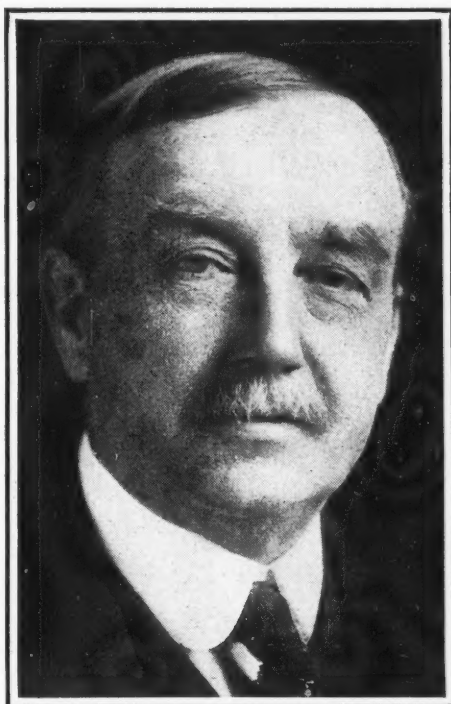
new Prime Minister, however, expects to carry on the government for at least a couple of years, as was indicated by the statement which he issued on the day after the election:

If I can prevent it there shall be no further disturbance of this country by an election for two years. I am so much concerned for the quiet development of industry, the peaceful mind and confidence both at home and abroad that I will use every ounce of influence I have to prevent an election during that period. I think this Parliament ought to last even longer than that.

developments from unnecessary elections.

Whatever government is going to make itself responsible for the conduct of national affairs both at home and abroad this time ought to have a chance to develop its policy. The way they broke up my foreign policy in 1924 was something that ought never to happen again. I was only able to start it and then leave it to others to develop. They did that with regard to Locarno and the admission of Germany into the League. Then all the rest of my policy was dropped. I do not think that fair or in the interests of the country.

Mr. Lloyd George intimated in his



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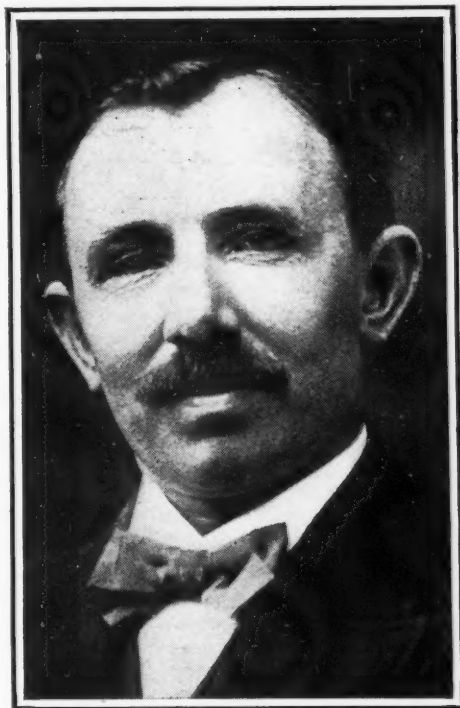
ARTHUR HENDERSON
Secretary for Foreign Affairs

post-election statement that he regarded the Liberals as holding the fate of the new government in their hands, and recognized the responsibility of this position. Subsequently he declared that whenever the Labor Government proposed progressive measures in foreign policy and tackled the unemployment problem resolutely, it could have the Liberals' support, but as soon as it tried to bring Socialist doctrine into practice, the Liberals' votes would plunge the Labor Government to destruction.

Examination of the popular vote was regarded by many people as giving the Liberals a better title to exert a decisive influence upon the government than their 59 in a House of 615 members would seem to give them. In round numbers, the

poll was as follows: Conservatives, 8,506,000; Labor, 8,292,000; Liberals, 5,178,000; Independents, 251,000; Communists, 50,614. In other terms, Labor, although it secured 48 per cent of the seats, polled only 37 per cent of the popular vote; the Conservatives, with 42 per cent of the Commons, polled 39 per cent of the vote; while the Liberals, although they won only 9 per cent of the seats at Westminster, polled 23 per cent of the vote in the country. These figures, the Liberals declare, clearly show that the people intended to turn the Tories out, but did not intend to put Labor in their places.

The election probably will be notable in British political history for a number of reasons. For the



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JAMES HENRY THOMAS
Lord Privy Seal and deputy leader of the House



Wide World Studio

MARGARET BONDFIELD
Minister of Labor

first time men and women went to the polls on equal terms, some 5,000,000 women between 21 and 30 years of age having been added to the register by the most recent electoral reform. Never have three British parties contested an election with such vigor. Excluding the combined English universities, the Unionists nominated 588 candidates, Labor 570 and Liberals 511. There were also some fifty Communist candidates, although none of them made a serious showing. This multiplicity of candidatures meant that there were only 102 electoral divisions in which straight contests between two opponents took place. In 444 constituencies there were three-cornered fights, while in

twenty-six others the winning candidate had to defeat three other candidates. All this is the very antithesis of what is supposed to be the traditional British two-party system, under which Whig fought it out with Tory and the victor assumed unquestioned possession of the government with all the power and all the responsibilities of office.

The election was also notable for the number of women candidates. No fewer than sixty-eight contested seats, the Unionists nominating ten, the Liberals twenty-five, Labor thirty and the Communists three. Fourteen of them were elected, including Miss Margaret Bondfield, who becomes the first woman to enter a British Cabinet, Viscountess Astor, who retained her seat by a narrow majority, and Miss Megan Lloyd George, daughter of the former Prime Minister.

Most significant of all, however, was the return of Labor as the largest party in the House of Commons. The growth of the party in numbers and power is clearly shown by the following table:

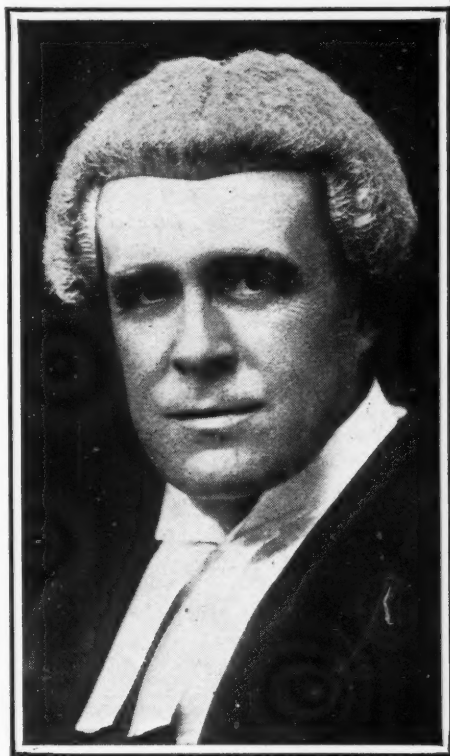
	Contests.	Members Elected.	Votes Cast.
1906	50	29	323,195
1910, Jan.	78	40	505,690
1910, Dec.	56	42	370,802
1918	361	57	2,244,945
1922	414	142	4,236,733
1923	427	191	4,348,379
1924	514	151	5,487,620
1929.	570	288	8,292,000

The results of this election, however, do not seem to confirm the opinion of many people that the rise of Labor will leave no room on the British political stage for the old Liberal party. A party that can still increase its representation in the House of Commons, poll 23 per cent of the popular vote, and hold the balance of power in the Legislature does not seem doomed to immediate extinction.

The effect of the election upon British policy, internal and external, will depend in part upon the arrangements under which Mr. MacDonald secures his majority in the House of Commons. Upon a number of general policies of great importance, however, Labor and the Liberals are in substantial agreement, and these may be expected to be carried out by the MacDonald Government so far as circumstances will permit. Both groups are committed strongly to positive measures designed to secure the immediate and radical reduction of national armaments, and to guarantee the solution of all international disagreements by pacific means. Both are opposed to a protective tariff in any form or under any guise. Both are pledged to make the immediate reduction of unemployment the first concern of the government. Both have traditionally held more "liberal" views on foreign policy generally and upon colonial questions than have the Conservatives. The election, therefore, represents a definite movement to the Left in Great Britain, and has been interpreted throughout the world as a victory for "liberalism" everywhere.

As to the members of the new Cabinet, most of them served under Mr. MacDonald in his first government, though there have been some changes in the posts assigned to them. Most important is that Mr. MacDonald will not attempt to combine the duties of Foreign Secretary with those of Prime Minister. Mr. Arthur Henderson, formerly Home Secretary, will now be at the head of the Foreign Office. Lord Justice Sankey, who was chairman of the royal commission which investigated the coal mining industry, becomes Lord Chancellor, the post

held by Lord Haldane in the first Labor Government. Mr. J. H. Thomas, as Lord Privy Seal, an office which involves practically no administrative duties, is to be in charge of measures designed to solve the unemployment problem. In this task he will be aided by the new Commissioner of Public Works, Mr. George Lansbury, who was at one time generally regarded as an extremist. Several members of the new Ministry are former Liberals who have been mainly impelled to join the Labor party on account of their pacifist and humanitarian ideals, while Sir Oswald Mosley, a baronet and son-in-law of the late Lord Curzon, represents the trend among a small section of the British aristocracy toward social liberalism.



Underwood

LORD JUSTICE SANKEY
Lord Chancellor

III—The Three-Party System in British Political History

By *LINDSAY ROGERS*

PROFESSOR OF PUBLIC LAW, COLUMBIA UNIVERSITY

IN one of his speeches during the campaign, Prime Minister Stanley Baldwin admitted that the British election might result in a deadlock. Such a deadlock, he declared, "could only be solved by a minority government or by some form of coalition which might cripple for useful service and cripple for purposes of stability the government of the country." The results of the recent election made a minority government or a coalition inevitable. It by no means follows, however, that the government will be crippled. The situation in the House of Commons, with Labor lacking a score of votes in order to have a clear majority, with the Conservatives having twenty-eight less than Labor, and with the Liberals holding the balance of power is far from unprecedented.

A substantially similar situation has existed under a number of previous administrations. Indeed, it is to these administrations that writers on the British Constitution look back and declare that then the Cabinet system functioned best. From the standpoint of the successful operation of Cabinet government a House of Commons in which no single party has a majority need not be feared. When the Conservatives lost their majority in 1923 and Mr. MacDonald formed a Cabinet which only with the support of Liberal votes could muster a majority, dire fears were expressed for the future

of the Cabinet system. Similarly, dire fears were expressed during the campaign and have been repeated since the election. Yet the lesson of the past is that if one party does not have undisputed control of the House of Commons, Cabinet government will still work successfully—perhaps more successfully.

A glance at the state of parties in certain of the Parliaments elected since the reform bill of 1832 will make this clear. During the last two-thirds of the nineteenth century there were a number of cases when a third party held the balance of power in the House of Commons. In 1835 Lord Melbourne took office. The Whigs were in a minority. The government lived only with the aid of the Radicals and the Irish. Supported by the O'Connell contingent of forty it could muster a majority of thirty. The election in 1837 after the accession of Queen Victoria failed to give the government any greater security, but it nevertheless held office until 1841. The Melbourne administration was one of the longest that Great Britain has had.

Again, take the House of Commons elected in 1847. Peel's decision to repeal the corn laws had broken up the Conservative party. The general election of 1847 returned 325 Liberals, 226 Tory protectionists and 115 Peelites. If the Conservatives were supported by the followers of

Sir Robert Peel they would have a majority. On the other hand, if Lord John Russell formed a government it could last only with the aid of this middle group. The leader of the group, Sir Robert Peel, was the foremost parliamentarian of his time. His position was not dissimilar to that now occupied by Mr. Lloyd George, except that the Peelites were more of a unit than are the Liberals. Enough Peelites supported Lord John Russell for his government to last until 1852—nearly five years.

In February, 1852, the Cabinet met defeat. The adverse majority was only eleven, but better things could not be hoped for confidently, and resignation followed. Lord Derby and Disraeli formed a government which lasted throughout the year. Parliament was dissolved in July, but the party situation became no less confused. The result of the election was in doubt until Parliament met, for it was not known how members would vote. Lord Derby was certainly left in a minority, but the votes of the Peelites might turn it into a majority. The number of this group was now about forty. The Conservatives governed until December, 1852, when Disraeli, Chancellor of the Exchequer, was beaten on his budget proposals. Lord Derby therefore resigned.

THE ABERDEEN COALITION

The Aberdeen coalition followed, supported by the radical Whigs and the Peelites. "The cake is too small," said Disraeli in anticipating some of the difficulties which would be encountered in allotting Cabinet posts. The Peelites, in Disraeli's phrase, put themselves up for auction and knocked themselves down to the highest bidder. The bid in this case

reached the limit, for the 30 to 40 Peelites in the House of Commons got six members of the Cabinet while the 270 Whigs and Radicals had to be content with six. This coalition lasted until 1855, when Lord Palmerston formed a government. At that moment greater courage on the part of Lord Derby might have enabled him to take office with, perhaps, Palmerston and Gladstone in his Cabinet. This indicates the confused nature of the party situation. Yet no one complained of weakness or vacillation. The government was not "crippled."

The dissolution of 1857 was really a plebiscite on Lord Palmerston. Out of the House of Commons of 650 he had a personal following of 370. The Peelites were almost annihilated. Palmerston nevertheless was overthrown in February of the following year. In this division 84 Liberals voted against the Ministers. Derby and Disraeli then formed another minority government. The House was in the proportions of three-to-



British Labor—Putting on weight
—New York World

two against the Conservatives, but the government lasted until 1859. The elections returned approximately 347 Liberals, as against 307 Conservatives. The Derby government was defeated and another Cabinet, headed by Lord Palmerston, took its place. It was to last until 1865 and then there was to be a Liberal hegemony in the House of Commons until 1874. There was, however, one hiatus of two years during which a Conservative Cabinet carried through the Reform bill of 1867. Again, however, Disraeli had behind him only a minority of the House of Commons.

The Parliaments elected in 1868, 1874 and 1880 had strong majority parties. After 1885, however, there followed another confused party situation. The Peelites had been more influential than their number warranted. Now the Irish Nationalists and later the Liberal Unionists were to exercise power disproportionate to their numbers. The 1885 elections gave the Liberals a majority over the Conservatives, but not over the Conservatives and Irishmen combined. Lord Salisbury was defeated in January, 1886, and Gladstone was Prime Minister again. In June his Home Rule bill was beaten, 343 to 313. Ninety-three Liberals voted against the government. The elections reduced the Ministerialists from 235 to 196, and increased the Tories from 251 to 316. The dissentient Liberals were 74 and Parnell kept his strength. Once more no party had a majority. The pendulum swung back decidedly in 1895. The Conservatives and Unionists gained 98 seats and the nominal Liberal majority of 43 in the previous Parliament became a Unionist majority of 152. The two-party system was back, but after ten years in the wilderness.

The 1900 "khaki election" continued the Conservatives in undisputed power. In 1906 the Liberals obtained an overwhelming majority. Four years later, however, the price of Mr. Asquith's assaults on the House of Lords was the sacrifice of the two-party system. The election in January, 1910, gave the Liberals 275 out of 670 members of the House. The Conservatives had two less, and the Irish Nationalists and Laborites held the balance of power with contingents of 82 and 40, respectively. The figures were only slightly changed by the election of December, 1910. As the Earl of Oxford and Asquith wrote in his *Memoirs*, "on the constitutional proposals which had been submitted to the country the government had, with the cooperation of the Nationalists and the Labor party, a majority in the United Kingdom of fully 120." The phrase, "with the cooperation," should be noted. Not until the election of 1922 did a single party have undisputed control of the House of Commons.

PARLIAMENTARY POWER

The two-party system, then, has been in abeyance not infrequently. During more than half the period between the Reform bills of 1832 and 1867—the Golden Age of Cabinet government—no single party controlled the House of Commons. Nor was this all. In the middle of the century there was a large amount of independence of party. Peel, Palmerston, Disraeli and Gladstone, the four greatest parliamentarians of the period, all had ambiguous party affiliations. As President Lowell of Harvard pointed out in his book on the government of England, it was not uncommon during the middle of the century for a Cabinet to be saved from defeat at

the hands of its own followers by the help of its opponents. Four times in 1836, twelve times in 1850 and eight times in 1871 a majority of the party in power voted against its own Ministers. Such independence has now become obsolete. To greater and greater extent the Cabinet has been able to dictate to the House of Commons.

Formerly when one party did not have a clear majority of the House Parliament asserted itself against the Cabinet. President Lowell shows that in the session of 1847-8 there were three government defeats; in 1850, twelve; in 1851, thirteen. During the parliamentary session of 1861-2 the government was beaten ten times; from 1862 to 1866, thirteen times each year. In 1868 the defeats numbered eighteen. Even Gladstone, who presumably had safe control of the House in 1862, was put in a minority eleven times. Of recent years (except of course during Mr. MacDonald's 1924 minority administration) a defeat of a Cabinet has been so rare as to be spectacular. Yet there is no reason why a House of Commons should not be able to defeat the proposals of the ministry except at the price of the ministry going out of office. Fifty years ago a House could dislike an item of the executive's program and still be anxious not to change the executive itself. Such freedom of choice on the part of the Commons will again be possible under the three-party system.

When Mr. MacDonald took office in 1924 he pointed out that the three-party system which then ex-

isted might have important consequences. He thought that party bonds would be lessened and that members of the House would be able to use their own judgment more frequently. The tenure of Cabinets would be determined by administrative success as well as by party force. Such a tendency, he declared, would "curb the partisanship of parties and make them like Cabinets—more public servants than public dictators. This can be put in another way; it will weaken organization but strengthen reason, it will make Ministers more the instruments of the general will than the captains of the party horse." Mr. MacDonald regretted the growth of the doctrine that a government must always win on a division or resign, and that if it listened to criticism and modified its proposals it thereby lost in prestige. During his nine months in office Mr. MacDonald's Government was defeated ten times. Some loss of prestige there was, of course, but this was no reason why his Cabinet could not fight, suffer defeat and live to fight further. None of these defeats involved the confidence of the House of Commons in the Labor Cabinet.

The government which has been formed as a result of the election on May 30 may have a similar experience. Such increased independence of the House of Commons will not "cripple" the government. The Cabinet system may work as it did during the period that the writers refer to as the Golden Age of parliamentary government. There were three parties then as there will be now.

Contributions of Science to Modern Industrialism

By *WATSON DAVIS*

MANAGING EDITOR, SCIENCE SERVICE, WASHINGTON, D. C.

OF importance equal to the sheer genius of invention and discovery is the distribution and application of the products of science and research to the general public, since there can be a science of national living as well as a science that deals with atoms, electrons, star galaxies, amoebae, and larger living things. The life of a savage, though it may seem to him complicated and difficult, is nevertheless simple when compared with the complex life of twentieth century civilization. Certainly to those of us who live and strive today life takes on a flavor distinctly different from what it did before the war. We, naturally, wish to know the cause of this "new American prosperity" in order that we may do our share in assuring its continuance.

An inquiry into the economic changes of the last seven years was the object of a governmental committee of eminent economists and industrial leaders headed by Herbert Hoover, now President of the United States, but Secretary of Commerce at the beginning of the research. This Committee on Recent Economic Changes is an outgrowth of the President's conference on unemployment in 1921, a meeting led by Mr. Hoover, which

gave rise to two other national surveys aimed at the enlargement of a general understanding of our economic system and the stimulation of the continuing reduction of unemployment.

After fourteen months of consideration of the fat years 1922-1929 the committee, with the fact-finding assistance of the National Bureau of Economic Research, and the co-operation of a large number of government and private agencies, has made a voluminous report, covering such subjects as consumption and the standards of living, industry, commerce instruction, transportation, marketing, labor, management, agriculture, price movement, money and credit, foreign markets and the national income. Besides President Hoover the members of the committee were: Walter F. Brown, Renick W. Dunlap, William Green, Julius Klein, John S. Lawrence, Max Mason, George McFadden, Adolph C. Miller, Lewis E. Pierson, John J. Raskob, Arch W. Shaw, Louis J. Taber, Daniel Willard, Clarence M. Woolley, Owen D. Young and Edward Eyre Hunt.

Speed and spread, rather than any fundamental change in economic methods, contain the secret of the new American prosperity that has arisen in the last seven

years. Such is the conclusion of the most ambitious fact-finding and interpreting group that has ever considered economic conditions. Peering into the structure of business, labor and consumption today, the experts were able to see no structural change, no revolution in fundamentals, nothing basically new. But the speed of American economic life has accelerated. Its tempo has quickened and methods and principles developed in previous years have achieved a breadth and scale that give them new importance. Power has flowed into industry; machinery has increased man's strength and skill so that industry's per capita productivity increased a third during the period; surplus incomes have become capital for new progress, and increased leisure has whetted the national appetite for more consumption.

The committee was struck by the outpouring of energy which piled up skyscrapers in scores of cities; knit the forty-eight States together with 20,000 miles of airways; moved each year over railways and waterways more than 1,500,000,000 tons of freight; thronged the highways with 25,000,000 motor cars; carried electricity to 17,000,000 homes; sent each year 3,750,000 children to high school and more than 1,000,000 young men and women to college, and fed, clothed, housed and amused the 120,000,000 persons who occupy our twentieth of the habitable area of the earth. Although the last seven years have been one of intense activity, the committee noted that this activity was "spotty" and summarized this finding as follows:

While rayon manufacturers have worked at top speed, cotton mills have been on part time; while the silk hosiery industry, the women's shoe trade and the fur business have been active, there has been depression in the woolen and worsted industry; while dairying has been prosperous,

grain growers have been depressed. Coal mining has been in difficulties, and classes of wholesalers and retailers have been under grave economic pressure. Progress has been made toward more stable employment in seasonal industries, yet "technological" unemployment, resulting from the displacement of workers by improved machinery and methods, has attracted attention.

In the fortunate synchronizing of a high wage level and a stationary cost of living, the committee sees a phenomenon that gives the last seven years a distinctive character. Prices have declined a tenth of 1 per cent a year, while wages increased 2.1 per cent a year. The primary needs, food, clothing and shelter, concern the American people less and less; the "high cost of living" and "full dinner pail" are forgotten, and the committee finds that "we wear less clothing, more rayons and silks, less cotton and wool." That leisure is "consumable" is the new realization of the present years. The effect of higher wages, shorter hours and new appetites has been reflected in the increased interest in the fine arts and science, more travel, more reading and more education. The committee also found a great growth in the "mass service" industries, such as hotels, restaurants, delicatessens, laundries, libraries and so forth.

"To maintain the dynamic equilibrium of recent years is, indeed, a problem of leadership which more and more demands deliberate public attention and control," the committee declared. "Research and study, the orderly classification of knowledge, joined to increasing skill, well may make complete control of the economic system a possibility. The problems are many and difficult, but the degree of progress in recent years inspires us with high hopes." Business and government working in cooperation today are be-

coming increasingly conscious that accurate facts and statistics are necessary in the broad planning of national and international action.

For many decades the censuses have provided a factual fabric for economic history. It is now planned that increasingly valuable sociological information will be gathered during the course of the taking of the census in 1930 and succeeding census years. Though so far as the 1930 census is concerned, there are not so many new questions to be asked, nevertheless it seems probable that studies of unemployment and of the indigent poor, at least, will be made. It is expected that information will be gathered during the course of the taking of the census which will show the number of men and women in the United States more than 65 years of age who possess less than \$5,000, or less annual income than is usually derived from a \$5,000 investment. It is expected also to show the number of such persons living in institutions for the aged, and that a tabulation will be made of all veterans of all wars. Since an agricultural census is made every two years, the next one will be made by regular census workers in connection with the 1930 census.

Another line of inquiry which may be included in the 1930 census is a complete census of distribution. Such a census was made in 1926 in a few large cities, such as Chicago, Kansas City, Syracuse, Denver and Atlanta. The subjects on which statistics were gathered at that time included complete inventories of all retail establishments, volume of retail sales by all kinds of businesses, sales per capita, number of inhabitants per store, employees in retail distribution, their salaries and the relation of their salaries to

sales, and the same subjects as applied to wholesale distribution. Many other inquiries along sociological lines have been suggested. Among them are a complete census of religious affiliations, of incomes, and of questions the answers to which would aid in framing immigration laws.

DARWIN MEMORIAL.

The birthplace of evolution, the House at Down on the outskirts of London, where Charles Darwin lived for almost forty years and wrote *The Origin of Species*, *The Descent of Man* and other famous biological classics, was opened to visitors on June 7 as a shrine to his memory. Under the guardianship of the British Association for the Advancement of Science and as a result of the generosity of George Buckston Browne, British surgeon, Down House was acquired from Professor Charles Galton Darwin, grandson of the naturalist. Maintenance and preservation for all time are provided in the terms of the gift, and it is open to the public without charge. Relics of Darwin are deposited and exhibited there, and naturalists throughout the world have been invited to contribute Darwiniana to this collection. The great naturalist's "old study" in which *The Origin of Species* was written is restored and furnished as it was when Darwin lived. The famous artist, John Collier, has been commissioned by the donor to paint replicas of his well-known portraits of Darwin and Huxley to be hung at Down House. In the garden with its "thinking path," as Darwin called its sand walk, in the orchards and meadows and in the house itself, scientists of a new generation are expected to continue the work of evolutionary discovery.

Aerial Events of the Month

THE cause of international peace in general and of Franco - German good - will in particular has apparently received fresh impetus from the failure of the Graf Zeppelin to complete its second transatlantic voyage from Friedrichshafen to Lakehurst, N. J.

At 6 o'clock on the morning of May 16 the Graf Zeppelin was under way for the United States. Aboard her were nineteen passengers, including Susie, the gorilla, on her way to the Chicago Zoo; a crew of forty-two members, and two tons of freight and mail. The crew and passengers had been ready since the day before, but there had been a delay in starting the voyage owing to the absence of a permit allowing the airship to pass over French territory. The delay of the French air department in sending this permit caused considerable hard feeling between Germany and France and considerable friction between Captain Hugo Eckener and the French press—a state of affairs which was undoubtedly exaggerated by newspaper reports and comments. The delay was said to have been due to a previous flight, when Captain Eckener violated French regulations by sailing the vessel too low over the French armament base, Le Creusot, where the Schneider iron works are situated. It was one of the conditions of the Franco-German aerial agreement that no planes carrying radio equipment or high-powered cameras should fly over French territory without special permit. Cap-

tain Eckener's remarks on the delay were variously reported as tart and critical and undiplomatic, reports which were all denied when later developments made them particularly unfortunate.

The Zeppelin started on her flight on Thursday, May 16, expecting to reach New Jersey at the latest on the following Sunday. Actually on the following Sunday, the Zeppelin was in the hangar at Cuers, France, awaiting repairs to four motors, with no specific cause for the damage that could so far be discovered. Rumors that the accident was caused by sabotage were abruptly dismissed as ridiculous when reported to Captain Eckener. On the evening of May 16, when the airship was over the coast of Spain, Captain Eckener, according to reports, entered the passengers' lounge and announced that the Graf Zeppelin would be forced to return to Friedrichshafen, her voyage unfinished. Crankshafts in two of the motors had been broken cleanly in the same place, making it too dangerous to warrant continuing the flight. The Graf Zeppelin turned back, luckily, for long before it made its forced landing at Cuers, France, two more motors were out of commission. On the evening of May 17 the airship, after a terrific struggle with the wind—the mistral which blows down the Rhone Valley—succeeded, with only one motor, in making an amazing landing at Cuers. The landing was made after a flight of 38½ hours, nine of which were made on one motor, the vessel frequently

driven back by headwinds and riding at intervals with a list of 45 degrees. It is said that the newspaper correspondents continued typing their stories while the airship struggled to make headway and that they raced up the 45-degree incline to get their messages off from the wireless room.

The results of the flight were decidedly more important diplomatically than aerially. A new approach to comradeship has been made between the German and the French people, by the extraordinary courage and skill of Hugo Eckener and by the extremely chivalric attitude of the French people and aerial officials. Towns all through Southern France had their airports ready; wires in the path of the airship were cut to rid Eckener of that danger, and when finally the landing was made at Cuers every possible facility was put at the Zeppelin's disposal, and every possible offer of hospitality was made to the crew and the passengers. In return Captain Eckener made it very clear that he had been sadly misquoted earlier in the week; official thanks were sent to the town of Cuers and to the French Air Minister by the German Ambassador and the German Air Minister, and when a week later the Zeppelin returned to Friedrichshafen, members of the aerial staff at Cuers accompanied Captain Eckener and were warmly received in Germany.

In the United States the refueling record has been broken by the plane Fort Worth, piloted by R. L. Robbins and James Kelly, two civilian pilots. The plane went aloft on May 19 and stayed up with no difficulties until May 26, when it was forced down by a split propeller. But the record was broken. Previously in the year the plane Question Mark stayed aloft 150 hours and 40 minutes. The Fort Worth did not descend until it had flown 172 hours and 32 minutes. The plane refueled twice daily and met with nothing more untoward than slight airsickness on the part of one of the pilots during the first two or three days of the flight.

Another record has been made and broken in the field of altitude competition. On May 10, in the United States, Lieutenant Apollo Soucek climbed to a height of 39,140 feet, setting a new world record. Two weeks later in Germany Willi Neunhufen, a Junkers flier, broke Lieutenant Soucek's record by flying as high as 41,795 feet. Both aviators have lodged applications for the international record.

In France the speed record was broken on May 26, when Commanders Weiss and Girier flew 3,125 miles at a rate of 111.78 miles per hour. The previous speed record had been held by Italian fliers, who made their flight last June, and there was considerable rejoicing in France over the capture of the title.

A New Plan for an International Arcadia

[Dr. Hart's comment, with his consent, was submitted to Professor Shotwell; his reply appears on a following page.]

By *ALBERT BUSHNELL HART*

PROFESSOR EMERITUS, HARVARD UNIVERSITY; CHAIRMAN,
BOARD OF CURRENT HISTORY ASSOCIATES

FOR nearly twenty years the good American people have been seeking for a speedy millennium in world affairs.

What the American Peace Society, founded a century ago, had not been able to accomplish was at last realized about 1910, when the League to Enforce Peace began its active effort to arouse our national conscience against war. That movement did not penetrate to the statesmen of Europe, all of whom (if you believe their later statements) strained themselves to the utmost to prevent war; and all of whom (if you believe the most recent discussions) easily succumbed to the mystical blood-lust of nations.

In the end the United States of America used its casting vote to bring the war to a close; and President Wilson, much influenced by the organized peace forces in the United States, became the protagonist of a new system of universal peace. He clearly saw that such a system could be maintained only through some kind of a permanent administrative body, and therefore drafted, under numerous and conflicting influences, the League and Covenant, under which the League of Nations was formed; though, through inadequate

statesmanship, the United States of America declined to make itself the essential link in the chain of olive branches that was to bind the world together. At any rate, the League of Nations has been a powerful instrument in preserving the peace of the world—except in Russia and Poland and Spain and Hungary and Rumania and Turkey and Nicaragua and China and Manchuria.

With due gratitude to and respect for the pacific influence at Geneva, there has been no such thing as world peace since the close of official hostilities. Western European peace has been maintained since 1918 in the face of many difficulties. So with American peace (north of Mexico) and Asiatic peace (outside China and Afghanistan). No machinery has, as yet, been contrived that will relieve the world from pressing danger of exchange of cones of rifle bullet steel and pyramids of chilled shot from great guns; from the possibilities of mechanical sharks underseas and death-distributing official rocs in the air.

Notwithstanding the honest and repeated efforts of successive Presidents of the United States and Departments of State, culminating in

the offer to make treaties to outlaw war, several facts of exceeding militancy must be faced:

1. There has not been a day since 1914 without there being somewhere in the world an attempt of organized bodies of men to destroy other men, not from personal enmity but as representing (consciously or unconsciously) a nationalistic sentiment.

2. At least six European States—namely, Russia, Poland, Hungary, Spain, Italy and Turkey—are governed by self-constituted despotisms, which are directly or indirectly supported by military force, without which some or all of them would fall.

3. Every large State in Europe has a standing army. The French Army and Navy, including the French colonial troops, are more numerous than the French regular forces at the beginning of 1914.

4. North America has experienced two civil wars within a few months, in territory adjacent to the United States or to its possession, the Panama Canal.

5. Three so-called American republics—Haiti, Santo Domingo and Nicaragua—have recently been occupied by United States troops on the plea of the duty of maintaining order against armed combinations, that is, against civil war.

It would be futile to deny these incidents or to minimize the fact that they reveal a continuance of organized war in various parts of the earth and also the necessity under which our government feels itself obliged to employ military methods to restore peace. No nation could do more than the United States of America in its willingness to make far-reaching arbitration treaties, and even to enter into a self-denying ordinance against war "as an

instrument of policy." Nevertheless, it is very hard to draw the line between war to annex territory (a purpose not unknown to governments of the United States) and war to prevent the control of external territory remaining in, or passing into, the hands of those hostile or unfriendly to the United States. War is the use of organized forces, acting in concert under authority and orders from a national source; but it is war also for a nation or a subdivision of a nation to repel forcible efforts to control it. An armed rebellion is war, and the suppression of such a rebellion is war.

Therefore, it is a genuine surprise to learn that an automatic method has been devised which will in future make wars impossible. Professor Shotwell of Columbia, already known for his ingenious plans for world peace, has recently announced to several hundred teachers that the regeneration of mankind and the abolition of war are in view through the simplest process. As he puts it: "We must decide on a way to give international experts freedom to study and settle technical questions; yet not freedom enough to enable them to endanger our liberties, to pledge us to wars that we do not want, or involve us in imperialistic schemes. It is a difficult question, but if the enterprise seeking to eliminate the barbarous methods of war is to be successful it cannot be done in mass formation. We cannot afford to substitute for technical expert knowledge the untried demands of sentimental persons."

This cryptic utterance can be better understood if we realize that the expression "the untried demands of sentimental persons" appears to be an allusion to the advocates of world peace through international

understanding; and that under the proposed scheme the peace of the world must be maintained by "specialized representatives of various nations who would develop a technique of dealing with intricate international problems in terms not of any nation but in terms of the implications of the problem itself, in terms of the common interests of all concerned." The author of this majestic plan goes on to cataclysmic details: "The conference would be called at periodic times. It would work on the basis of limited agendas and would discuss definite problems. It would legislate for the world. It would have the power to make treaties. Under the deliberations of this body there must be built up the safe technical formulas prepared by students of the questions discussed."

Some difficulties present themselves in this ingenious method of saving the world and saving the face of diplomats at the same time. The first is the *modus operandi*. There is to be a body of experts (which visibly leaves out Presidents, Secretaries of State and foreign representatives) to represent the whole world; we are not told who is to choose them or who is to pay them. There is no question of instructing them, because it is to be "an entirely plenipotentiary body," with "power to settle the problem," whatever it might be. That is, it is to be an international legislature not subject to recall. No attempt is made to solve the difficulty which has beset every attempt to make up an entity composed of separate nations, namely, that no such responsible and legislative body can ever be formed on the basis of equal representation by nations. The United States of America, for example, will never enter into any international combination in which the United States (with a

population of 125,000,000) will cast one vote, and the Latin-American powers (with 75,000,000) will together cast twenty votes.

It seems to be the impression of this architect of an astounding supergovernment, which shall lay down the law to all nations and peoples of the earth, that its whole task will be easy because the personnel, the governing body, the deciding force (for there is no suggestion that any of its decisions are to be referred to the constituent nations for ratification) is to be made up entirely of "international experts," aided by "separate national expert staffs supplying information. * * * We must have the assistance of men who know both sides." This is a perfectly clear reference to what might be called "the international lawists." For a hundred and fifty years the United States of America has been training international lawyers for the public service—such men as John Adams and John Jay and John Quincy Adams, Daniel Webster and William H. Seward, and Richard Olney and John Hay. Yet not one of those men could qualify as an "international lawist."

The preposterous suggestion of a world government, made up of experts who are to make decisions for "the unparalleled international community now in process of formation," grows out of the assumption, held by a group of legal men, who in general are well versed in international law, of the sole right to come to conclusions on international questions and to try to put those conclusions into effect. That group is firmly convinced that there exist in some limbo unquestionable principles of international law, knowledge of which can be acquired by experts only; that it is a simple matter to codify international law,

as you might codify the law of real property, or of marriage and divorce; and that the initiates (so to speak) in this to-be-codified law are not only the persons competent to govern the world but that the world will defer to their expertizement.

There is something humorous in this notion that a small body of self-designated persons expert in international law, but apparently entirely devoid of any appreciation of governments and their authority and the derivation of their powers, is to settle the affairs of the world. When the Soviet Government consents to submit the question of the restoration of agrarian estates to the owners as of 1914; when Germany obeys a decision that the Emperor and the Grand Dukes are to be restored; when France is ready to admit that her claims on Alsace-Lorraine are subject to review; when Great Britain leaves to the

judgment of international experts the question of neutral trade; when Danish statesmen are required to learn Norwegian; when the Chinese are satisfied to leave Manchuria in Japanese control; when the United States consents to arbitrate its right to operate an interoceanic canal through former territory of the Republic of Panama—when that international Arcadia is realized what will be the need of these international experts, whose decisions are not subject to ratification? If the nations affected adopt the great international principle of "After you, Alphonse!" why must we wait upon the decision of these impeccable experts? Why should not the nations settle their affairs in their own way? Better international wars than wars of precedence and authorities between living, palpitating nations and international experts, responsible only to the universe.

Professor Shotwell's Reply

IT is with some reluctance that I reply to Professor Hart and should not do so had he not brought into his article the name of Columbia University. Nevertheless his comments on what I was supposed to have said on a certain occasion seem to call for a repetition here of the disclaimer which I had already sent for publication before this article of Professor Hart reached me.

The address in question was not the outline of any new plan for international government. It did not deal with anything new and did not describe an international government at all. It dealt with something very different from that, namely, the League of Nations and its

method of international conference and of the consultation of technical experts. Any one familiar, as Professor Hart is, with the requirements of journalism knows that newspapers cannot print the full text of speeches of this kind and that the statement of intricate problems when compressed under such exigencies cannot in general be taken as an adequate record upon which to base argument or risk conclusion. The best of reporters and the most conscientious of news editors are withheld by the very nature of daily journalism from supplying their readers with the texts of long academic discussions. It is a first requisite of the scientific attitude in using such sources for current his-

tory to inquire whether the published report of the speech is adequate and correct. But the penalty for scientific precision is that one is frequently deprived of the opportunity for wholesale denunciation.

My address was, as I have said above, a description of the method employed by technical commissions dealing with international questions and was, for the most part, a straightforward and rather detailed analysis of the way in which some of the most puzzling things have been settled in the post-war period. I described only those connected with the work of the League of Nations, but the description which I gave would have applied to the Committee on Reparations which has just completed its work under the statesmanlike leadership of Mr. Owen D. Young. I contrasted the machinery of this kind of organization with that which was unsuccessful in the Disarmament Conference of 1927. In neither description or criticism was there anything new to those familiar with the operations. I took care to warn against two extremes, on the one hand, sentimental internationalism with its dream of world government and, on the other hand, self-centred nationalism refusing to listen to anything but its own terms.

In closing the lecture I took pains to emphasize the slow development

of a historical process of this kind and repeated what I had already said on other occasions, that far from having a world state or a world government before us now, we cannot count upon the analogy of the history of the national state to supply us with the clue for understanding the kind of institutions which will be needed as the international contacts grow more and more real and the solution of international problems more and more pressing. But I did risk one generalization which has wide and far-reaching implications, and that was that the persistence of the unmodified anarchy of States which in the past has used war as its free instrument of policy would be growingly recognized to be an impossible basis for the continued development of the kind of industrial society which is taking shape in the world today. Professor Hart believes as little in the Kellogg-Briand Pact as M. Clemenceau in the League of Nations in 1919. But I do not propose to argue that issue with him. The only issue to which this letter is addressed is one of applying scientific temper to the discussion of a given text. Cervantes once described the adventures of a certain conservative knight errant, and the one incident which all the world remembers was due to his mistaking windmills for something else.

Germany Obtains Large Reductions in New Reparations Agreement

By JAMES THAYER GEROULD

PRINCETON UNIVERSITY; CURRENT HISTORY ASSOCIATE

WITH the signing of the report of the experts' committee on reparations on June 7 (see Pages 724 to 759 for full text), the curtain has fallen on the second act of the drama of reparations, a drama which has been in intermittent performance since 1919. There has been comedy in it, and there has been tragedy. When we remember some of the political speeches that were made in the early days, the promises of the khaki election, the magnificent dream of reparations amounting to \$125,000,000,000 and compare them all with the sober results of the experts' conference, with its final figure of \$9,000,000,000, comedy is most in evidence; but when we recall the ruin wrought by the attempts to impose impossible conditions, the invasion of the Ruhr and the resulting debacle of German finances; when we remember the inflated costs paid by the French Government for the reconstruction of the invaded districts, two-thirds of which must now be saddled on the French taxpayer who must bear as well the burden of the virtual repudiation of four-fifths of the internal debt through the fall in the value of the franc; when we keep in mind the dislocation of industry in Great Britain, with its result in unemployment, the tragic elements in the drama are so poignant as to leave no place for laughter.

Some of the mistakes might possibly have been avoided, but not many. Through more than four years, from 1914 to 1918, every resource of press, of platform and of pulpit was turned to arouse that madness of passion without which the terrific sacrifices necessary to carry on the war could not have been endured. Nothing was too incredible to be believed. In every one

of the warring countries men were taught that they had only to carry on to victory, and when that was achieved, the burden they were carrying would be shifted to the shoulders of the defeated. When the war ended with victory for the Allies, there was naturally a demand that these promises should be redeemed. It is but charitable to assume that the national leaders were so intoxicated as themselves to believe that in some measure it was possible. In any event, they had to meet the situation that existed. To have told the truth, even if they had realized it, would have caused the fall of every government in Europe, and the result would have been anarchy. When clear-sighted men like J. M. Keynes attempted to bring them to reality, there was a chorus of derision. It is to be hoped that Mr. Keynes today derives some satisfaction in the fulfillment of his prediction made in his book, *The Economic Consequences of the Peace*, in November, 1919, that the final claim against Germany will be found "to exceed \$8,000,000,000 and to fall short of \$15,000,000,000."

At first the leaders shouted with the loudest, but the inexorable logic of economics gradually prevailed. The Boulogne Conference reduced the original claim of \$125,000,000,000 to \$67,000,000,000, and at Spa, later in the same year, they lopped off \$2,000,000,000 more. In 1921 the total was again fixed at \$33,000,000,000, a large share of which was covered by the Class C bonds, which no one ever took very seriously. Then came the tragic misadventure of the Ruhr, the only helpful result of which was such an increase in disillusionment as to make possible the work of the Dawes Commission. Even there political

rather than economic and financial considerations prevailed, and the result was a temporary working agreement rather than, as it has so often been called, a settlement. It served, however, to provide a foundation on which it was possible to re-establish some measure of financial stability. Under it payments have been made by Germany promptly and loyally, but it has been evident from the beginning that until the total of her liabilities was determined neither her finances nor those of the Allies could be put on a normal footing. The necessity for this became more and more pressing, and the "experts" were finally summoned to supply a permanent program. Although their "independence"—the freedom of the delegates from governmental control—has constantly been stressed, they could not be and have not been unaffected by political considerations.

The settlement which has now been reached is, on its face, a permanent one; but outside the government offices in Washington (and one wonders if there they are quite so confident as they pretend), there are few who believe that through fifty-eight years, and until 1987, Germany will continue to pay tribute to the United States. Disguise it as much as we like, insist as often and as vigorously as we please that reparations and war debts are not interdependent, Europe will never accept our view. The third act in the drama of disillusionment is bound to be played; but when, and in what setting, it is fruitless to speculate. The nations of Europe have been compelled to write off their losses; it is quite possible that we may be required to do the same.

The narrative of the negotiations by which this agreement was reached, contained in the June number of *CURRENT HISTORY*, closed with May 9. Sir Josiah Stamp presented his draft report on May 15. It was a very carefully written document, and it represented the result of weeks of labor and mutual concession. Certain fig-

ures were left blank, but in the main it presented a program on which there was substantial agreement. On the same day Dr. Schacht circulated a paper in which he offered, instead of the 660,000,000 marks of unconditional payment, an annual sum of 500,000,000 marks, plus service on the Dawes loan and an amount sufficient to meet the American claims and occupational costs. This provision, amounting as it did to a preference of payments to America, in no way suited the creditor nations and they declined to accept it. Two more weeks of discussion were necessary before the Germans would agree to the larger figure. In order to provide, within this sum, for a moderate satisfaction of the various national claims upon it, very careful computations were necessary, and at one time it seemed as if it could not be done.

At this juncture a gesture, which will probably cost us nothing, made by the administration at Washington, turned the scale. On May 19, after a conference with the Secretaries of State and of the Treasury and with a number of leaders in the Senate and the House, President Hoover announced an agreement to extend the



The world's greatest Gordian knot
—*New York World*



THE NEW REPARATIONS AGREEMENT

"Every German child has this burden tied to his leg" (i. e., to work fifty-eight years for the Entente)

—Kladderadatsch, Berlin

period during which annuities are to be paid to cover the costs of American occupation and of the mixed claims, with a consequent reduction of the annual payment. The total amount involved (on Sept. 1, 1928, the beginning of the annuity year, for occupation costs, \$206,981,334, and for mixed claims \$143,777,734) was relatively small, but the diminishing annuities helped in the computations and the fact that our government was willing to make any concession had its moral value.

The total of the annuity and its composition established, the delegates turned to the determination of the date on which they should go into effect. It was Dr. Schacht's desire that they should supersede the Dawes payments and should date from April 1, 1929, the beginning of the current German fiscal year. The creditor nations desired them to be concurrent during the period April 1 to Aug. 31, or at least to date from the beginning of the next Dawes year on Sept. 1. The double annuity during five months would have cost Germany very little as it would have been commercialized, but politically such an agreement would have been very undesirable in Germany. So strong was the feeling that Dr. Voegler, one of the delegates, resigned in protest. The compromise

reached provides for Dawes annuities, credited on the Young plan, until Sept. 1, after which date the Young annuities are to come into effect.

Dr. Schacht fought vigorously for the establishment of a moratorium which would come into action in the event that, during the period of the annuities, Germany should find herself under great financial and economic stress. This, in as extensive a form as he desired, the Allies were unwilling to grant, but the scheme does provide for a measure of protection. They yielded almost completely to the desire of Germany to free its railroads and industrial plants from such outside control as is provided in the Dawes plan.

Two further questions, both in a sense outside the terms of reference of the committee, caused much trouble. The Reich, under the Empire, held a large amount of property in the succession States of Czechoslovakia, Poland, Yugoslavia, Rumania and Italy, for which, under the Treaty of Versailles, they should have compensation. No arrangements for this have been made, and Germany, evidently holding it as a bad debt, attempted to write it off by applying it to the last twenty-one payments. On the plea that most of the nations concerned were unrepresented in

the conference, France blocked the move. Belgium stood stiffly for the inclusion within the agreement of some provision for the repayment of the gold francs which, during the German occupation, had been replaced in its banks by marks which subsequently became quite valueless. The Germans admitted the liability but claimed that they had no power to negotiate. It was finally arranged that the matter should be adjusted by direct negotiation between the two countries, and that the Young plan should not go into effect until after an agreement should have been reached.

With the evacuation of the Rhineland, which will probably take place on Sept. 1, the war which began on Aug. 1, 1914, may be said to be over, though the problems that have arisen in consequence of it will remain to plague us for many years to come. The Reparation Commission can now close its books, and Mr. Gilbert can come home bringing with him the respect and the gratitude of all Europe. The In-

ternational Bank, through which the payments are to be handled, will be established; though without any official representation of the United States. Our government has already let it be known that we are not to be entangled. The French, by decree or through action of the Chamber, will doubtless ratify the Mellon-Bérenger agreement, and our beautiful structure of paper settlements will be complete. It is safe to say that it will not be tampered with for some time. There is no doubt, however, that Joseph Caillaux voices a settled conviction, almost universally held in Europe, when he says in a recent article that "a day is bound to come when, like Great Britain and France, the United States will recognize the necessity for an almost complete cancellation of its claims," and he is not alone when he adds the hope that the Experts' Committee has prepared "a way for the great conference which sooner or later will liquidate, not only the German debt, but international indebtedness as a whole."

The League of Nations Month by Month

By ARTHUR SWEETSER

DISARMAMENT and world economics were the two outstanding activities of the League of Nations during May. The Preparatory Disarmament Commission, which had opened its session in April with such hopelessness and which had been so unexpectedly cheered by America's broad declaration to consider naval reduction on any reasonable terms, closed in an atmosphere of greater optimism than has prevailed for several years. The sensation caused by America's first offer had been followed very shortly by another even more significant for the Continental land powers when Ambassador Gibson withdrew as not the concern of the United States the demand previously made for including trained reserves in any estimate of land armaments. These two statements affecting both land and sea forces created an entirely new situation in the commission

and obviously require serious technical examination during the coming months.

Less spectacular but perhaps not less fundamental to world life was the second meeting of the Economic Consultative Committee which annually brings together some sixty of the foremost authorities in commerce, industry, agriculture, labor and consumption to secure a survey of world economic conditions. The meeting opened with a general report on the whole international situation. The year 1928 was classed as a period of consolidation, with considerable improvement over 1927, but with weak spots in certain lines and certain localities. Wheat was at its strongest point since the war; rubber was a third above the previous five years average; sugar was profoundly affected by changes in Cuba and Java; coal production fell off 35 per cent, largely through a decrease in the United States;

crude oil increased through changes in Colombia and Venezuela; Europe's steel production fell off and was again inferior to that of the United States; while unemployment increased in some countries and decreased in others. International trade continued to increase, though less rapidly; prices became remarkably stable, largely because of the stabilization of currencies, and considerable progress, though not as much as wished, was made in carrying out the findings of the World Economic Conference through separate actions of governments, bilateral action of two governments, or multilateral action through League conferences. This whole situation was discussed in fullest detail by the best qualified authorities in all major branches, and a series of findings issued which it is hoped may be a guide for the future action of governments and interested trade circles. This committee, composed of experts free to express their views without restraint and not limited by government instructions, is undoubtedly creating a new force and current in international life and should serve more and more as a world economic consultant.

Perhaps the most immediately important single item before the fourteenth session of the Health Committee was the report submitted on the appeal of the Greek Government for the creation in that country of a complete new system of sanitary administration. A group of League experts had been in Greece for several weeks elaborating a project for new laws, a general central administration, a training school for personnel, and, in short, all the various elements needed to give Greece the most modern and up-to-date hygienic facilities. In addition, following a report by Surgeon General Cumming of the United States Public Health Service and Dr. C. E. A. Winslow of Yale, in regard to the methods in use in the United States for stimulating public interest in health administration, the committee took measures for a world study of this subject with the thought of giving it a world-wide impetus. Finally, the committee took further action with regard to the standardization of sera, which has developed very rapidly, and considered the relationship between public health administra-

tions and health insurance organizations, infant welfare, sleeping sickness, occupational cancer, and the like.

Charles Evans Hughes, recently elected American member of the World Court, took his seat for the first time in an extraordinary session to consider three important cases, the so-called gold franc cases between France and Brazil and Yugoslavia, and the Franco-Swiss zone dispute. Mr. Hughes, who had just made a speech in London expressing the hope that his own country's absence from the court was but temporary, was warmly welcomed by his colleagues.

During May Belgium's acceptance of the General Act for the Pacific Settlement of International Disputes, passed at the last Assembly as a sort of world charter of arbitration and conciliation, assured the formal entry into being of that very extensive and ambitious document. Sweden has already acceded and other States are understood to be on the way of doing so, with the result that the document now takes on a formal character, though only, of course, for those States which have become parties.

An event which should not pass without notice was the registration by the League of the 2000th treaty forwarded to it since 1920 as a result of the application of Article 18 of the Covenant which, in the hope of avoiding secret treaties, carries the obligation of registration of all new international agreements. The League's Treaty Series, to which the United States Government also sends its international engagements, is thus becoming a vast compendium of the new international law and organization of the world.

In the refugee field a special advisory commission decided that it was impossible at once to solve the many problems left over from the war, and that the best course would be to extend the life of the League's refugee organization for ten years until all the million or more unsettled people have found permanent places.

The newly created Permanent Central Opium Board completed its personnel and organization and drew up the forms for quarterly statements by governments of imports and exports of drugs as provided in the 1925 convention.

THE UNITED STATES

Hoover Commission Begins Law Enforcement Inquiry

By ALBERT BUSHNELL HART

THE task of appointing the national law enforcement commission, promised by Mr. Hoover in his inaugural address on March 4, was completed on May 20 with the announcement of its eleven members. The membership of the commission, which includes eminent lawyers and educators, is as follows:

GEORGE W. WICKERSHAM (Chairman), United States Attorney General under President Taft.

NEWTON D. BAKER, lawyer and Secretary of War under President Wilson.

ROSCOE POUND, Dean of Harvard Law School.

FRANK J. LOESCH, lawyer and vice president of Chicago's Crime Commission.

WILLIAM S. KENYON, Judge of the United States Circuit Court of Appeals.

KENNETH R. MACKINTOSH, Chief Justice of Washington State Supreme Court.

PAUL J. MCCORMICK, Federal Judge.

ADA L. COMSTOCK, President of Radcliffe College.

HENRY W. ANDERSON, lawyer and former special assistant to the Attorney General.

WILLIAM I. GRUBB, Federal Judge.

MONTÉ LEMANN, lawyer.

The idea of an investigation of law enforcement was first expressed by Mr. Hoover in August, 1928, during the Presidential campaign. At that time the Republican candidate pledged "a searching investigation of the facts and causes of the grave abuses" of the prohibition amendment. However, in his inaugural address, the President announced that the survey would cover not only prohibition enforcement but the "entire Federal machinery of justice," since prohibition was only partly responsible for the increase in crime. Addressing the newly appointed commission on May 28, Mr. Hoover said:

A nation does not fall from its growth of wealth or power. But no nation can for long survive the failure of its citizens to respect and obey the laws which they themselves make. Nor can it survive a decadence of the moral and spiritual concepts that are the basis of respect for law,

nor from neglect to organize itself to defeat crime and the corruption that flows from it. Nor is this a problem confined to the enforcement and obedience of one law, or the laws of the Federal or State governments separately. The problem is partly the attitude toward all law.

It is my hope that the commission shall secure an accurate determination of fact and cause, following them with constructive, courageous conclusions, which will bring public understanding and command public support of its solutions. The general public approval of the necessity for the creation of this commission and the extraordinary universality of approval of its membership are in themselves evidences of the responsibility that lies upon you and of the great public concern in your task and of the hopes that you may succeed.

Armed with a secretary and a statistician, with pledges of cooperation from the Departments of Justice and the Treasury, and with a \$250,000 appropriation from Congress, the commission embarked on an inquiry which, it predicted, would take between one and two years.

Some progress in conciliating the opposing views of the House and Senate on farm relief was made during the past month. As was recorded in *CURRENT HISTORY* for June, the House passed a bill providing for a Farm Board and a revolving \$500,000,000 fund on April 25 and the Senate passed a similar bill, but with the much disputed "debenture plan" attached, on May 8. The two bills then went to a joint conference. Unable to persuade the House members to desert the administration and insert the debenture clause in the House bill, the Senate committeemen were faced with the possible failure of the entire farm relief program for which the special session was primarily called. To avert this they agreed on June 5 to report the farm bill back to the Senate minus the debenture provision. Since the plan was retained on May 8 by a majority

of only three votes, they hoped that the decision could be reversed to avoid a deadlock and to expedite the signing of the bill and the appointment of the Federal Farm Board by July 1. Undoubtedly the Senate committee was influenced by the alarming slump in the price of wheat, which on June 1 had dropped to less than



The strongest nation in the world!
—Adams Service

\$1 a bushel at the terminal markets—the lowest price in fifteen years. This decline was not stopped by the decision of the railroads to lower rates in order to facilitate exportation of the surplus. A bill introduced by Senator Nye proposed dealing with the surplus crop by authorizing the President to buy it with a \$200,000,000 appropriation and ship it to China, where thousands are reported to be starving. In response to this suggestion President Hoover requested the Red Cross to send a commission of three to China to determine the extent of that country's needs. This commission, composed of Colonel Ernest P. Bicknell, William M. Baxter and Ernest J. Swift, sailed from Vancouver on May 30.

Besides the elimination of the debenture plan, several other important amendments were made to the farm bill, as reported back to the House and Senate from committee. Adopting a Senate proposal, the stabilization corporations, to be fostered by the Farm Board, were given the two-fold function of buying crop surpluses and acting as marketing agencies for the coop-

eratives. The Farm Board membership was set at nine, including the Secretary of Agriculture, ex officio. Salaries of all members were to be \$12,000. An additional \$1,500,000 was provided for administrative purposes. The bill in this form was passed by the House on June 7.

With farm relief in sight, the troublesome question of tariff revision was still far from solution and legislators were facing without enthusiasm the prospect of a torrid Summer in Washington. The Hawley bill, introduced in the House on May 7, was finally passed in a somewhat revised form on May 28. A number of amendments reported by the Ways and Means Committee and adopted were designed to placate the farm States, which complained bitterly when the bill first appeared that the increased duties on manufactured goods offset their advantages from higher rates on raw materials. As a result the rates on butter, potatoes, cattle and onions were raised. Whereas, hides were transferred to the dutiable list, a 20 per cent duty on shoes was also imposed. The bill was railroaded through to prevent an organized revolt by the representatives from farm States. Nevertheless, nine of these Republicans opposed the bill in the final vote, but they were offset by the twenty Democrats who supported it, making the total in favor 264, to 147 opposed. Estimates by the Tariff Commission showed that the bill as passed by the House raised the average rates on manufactures from the 34.78 per cent of the Fordney-McCumber bill to 38.62, and on agricultural products from 40.31 to 54.17 per cent.

Discussion in the Senate forecast a serious battle when the tariff bill reached that body. Senator Capper criticized the agricultural schedules in general and the rates on sugar and lumber were attacked.

It was unofficially reported in the press that the bill did not conform with President Hoover's ideas of "limited revision," and that administration leaders in the Senate would attempt to lower a number of rates on manufactured goods, to conform with the President's views. On May 14 Mr. Hoover, acting on recommendations from the Tariff Commission, proclaimed increased duties on flaxseed, milk,

cream and window glass. The President explained his action as follows:

The Tariff Commission is limited in its recommendations to 50 per cent of the duty as imposed in the 1922 law and therefore some of the increases are less than those recommended by the Ways and Means Committee in the framing of the tariff bill. None of them are in excess of their recommendations.

I have consulted Congressional leaders as to the desirability of issuing these proclamations and they agree that the farmers and others should have the benefit of the Tariff Commission's determination at once.

The reaction of foreign countries to the increased rates of the Hawley bill was shown by protests from foreign producers, through their governments, which were received at Washington and referred to the House Ways and Means Committee. Canada protested the rates on fish and agricultural products; France, those on luxuries; Argentina, beef, corn and flaxseed; Australia, raw wool.

Reapportionment of the House of Representatives, which should have followed immediately upon the census of 1920, according to a provision in Article I of the Constitution, was finally enacted by both houses of Congress in connection with bills providing for the 1930 census. The reasons why Congress has, in direct violation of the Constitution, failed to act on reapportionment since 1920 are not far to seek. Although the House twice enacted bills, the Senate failed to act. After the membership of the House was raised to 433 by the census of 1910 it was agreed that that body should be permanently limited to 435 members. Thus reapportionment conforming to the shift and growth of population would inevitably deprive some States of part of their representation.

It was estimated that the reapportionment would affect the States as follows: California, Michigan, Ohio, New Jersey, Texas, Arizona, Connecticut, Florida, North Carolina, Oklahoma and Washington would gain. Missouri, Indiana, Iowa, Kentucky, Mississippi, Alabama, Kansas, Louisiana, Maine, Massachusetts, Nebraska, New York, North Dakota, Pennsylvania, Tennessee, Vermont and Virginia would lose. Twenty States would be unaffected.

The bills as passed by the Senate on

May 29 and the House on June 6 differed on some points, but it was expected that these differences would be harmonized. In both houses amendments attempting to bar aliens from representation were defeated, and in the House it was unsuccessfully tried to exclude disenfranchised persons (negroes) from the census. Both of these proposals were attacked as unconstitutional. A Senate provision that census employes should be chosen by civil service examinations was not adopted by the House. The Senate slated the census for May, 1930, the House for November, 1929. Both houses authorized the Census Director to enumerate the unem-



WAITING
—Boston Herald

ployed. The Senate version provided for automatic reapportionment by the Executive Department every ten years hereafter, failing Congressional action.

President Hoover gave out two messages during the month, one to the nations of the world, the other to Congress. The former, of utmost importance in international affairs, was his Memorial Day speech at Arlington on May 30. His theme was naval disarmament and his



That special session for farm relief only
—New York Herald Tribune

words, following upon Ambassador Gibson's proposals at the Geneva Conference, gave added assurance that the United States intends to take the initiative in putting into practice the theories of the Kellogg treaty. "If this agreement is to fulfill its high purpose," declared the President, "we and other nations must accept its consequences; we must clothe faith and idealism with action. That action must march with the inexorable tread of common sense and realism to accomplishment." He continued:

If this declaration really represents the aspirations of peoples; if this covenant be genuine proof that the world has renounced war as an instrument of national policy, it means at once an abandonment of the aggressive use of arms by every signatory nation and becomes a sincere declaration that all armament hereafter shall be used only for defense. Consequently, if we are honest we must reconsider our own naval armament and the armaments of the world in the light of their defensive and not their

aggressive use. Our navy is the first, and in the world sense the only important, factor in our national preparedness. It is a powerful part of the arms of the world. * * *

Despite the declarations of the Kellogg pact, every important country has since the signing of that agreement been engaged in strengthening its naval arm. We are still borne on the tide of competitive building. * * *

To arrive at any agreement through which we can, marching in company with our brother nations, secure a reduction of armament, but at the same time maintain a just preparedness for the protection of our peoples, we must find a rational yardstick with which to make reasonable comparisons of their naval units and ours and thus maintain an agreed relativity. So far the world has failed to find such a yardstick. To say that such a measure cannot be found is the counsel of despair; it is a challenge to the naval authorities of the world; it is the condemnation of the world to the Sisyphean toil of competitive armaments. The present administration of the United States has undertaken to approach this vital problem with a new program. We feel that it is useless for us to talk of the limitation of arms if such limitations are

to be set so high as virtually to be an incitement to increase armament. * * *

We believe the time has come when we must know whether the pact we have signed is real, whether we are condemned to further and more extensive programs of naval construction. Limitation upward is not now our goal, but actual reduction of existing commitments to lowered levels. Such a program, if it be achieved, is fraught with endless blessings. The smaller the armed force of the world, the less will armed force be left in the minds of men as an instrument of national policy. The smaller the armed forces of the world, the less will be the number of men withdrawn from the creative and productive labors. Thus we shall relieve the toilers of the nations of the deadening burden of unproductive expenditures and, above all, we shall deliver them from the greatest of human calamities—fear. We shall breathe an air cleared of poison, of destructive thought and of potential war.

In a message to Congress on June 6, President Hoover proposed that it undertake the task of reorganizing the entire machinery of prohibition enforcement. To

effect this reorganization and "the concentration of responsibility in administration of the Federal bureaus connected with prohibition enforcement, so greatly needed to improve their effectiveness," Mr. Hoover proposed a joint committee of Congress to study the problem and make recommendations to the regular session next December. No specific mention was made of transferring enforcement from the Treasury Department to the Department of Justice, which the President advocated in his inaugural address. The message referred to the necessity for strengthening and unifying the border patrols.

The two developments which most vitally affected prohibition during the last month have already been mentioned—the Presidential message just described and the appointment of the National Commission on Law Enforcement. Another interesting event was the resignation on May 28 of Mrs. Mabel Walker Willebrandt as Assistant Attorney General in charge of prohibition enforcement. She gave as her reason her decision to become counsel for an aviation company in Washington. Mrs. Willebrandt had held her government position since September, 1921.

Considerable discussion and criticism by private individuals of the practice of the foreign embassies in Washington of receiving liquor on permit led up to the decision of Sir Esme Howard, British Ambassador and dean of the diplomatic corps, that no more alcoholic liquors would be requested for the British Embassy. This move was not inspired by any request from the United States Government, it was emphasized.

Our diplomatic relations with Canada during the past four years in regard to prohibition were the subject of a report issued by the State Department on May 16. It revealed that since the anti-smuggling treaty negotiated with Canada in 1924 rum-running has increased materially over the Canadian border. This was indicated by the fact that, in accordance with Canadian law, \$12,572,011 worth of whisky was declared for export to the United States in 1926 and \$18,380,070 in the fiscal year ending March 1, 1928. This information was brought out at a

conference between United States and Canadian enforcement officials last January. At that time, James M. Doran, Prohibition Commissioner, declared that the supply of Canadian liquor was increasing, despite the fact that in the last six months of 1928 statistics showed that United States enforcement officials had seized 117 boats and 375 automobiles carrying liquor.

A report published by the Department of Justice on June 2 showed that enforcement activity had increased during the first six months of 1928. Federal prosecutions under the Volstead act during that period were 27,575, about 1,000 more than in the corresponding six months of 1927. There were, however, 23,683 convictions in 1928, about 3,000 fewer than in the first half of 1927, but about 7,000 more than in 1926. New York State furnished more than one-fourth of the prosecutions.

Three decisions of wide interest were reached by the Supreme Court of the United States during the past month. The most important of these was the decision in the case of the St. Louis & O'Fallon Railway Company against the Interstate Commerce Commission. It concerned the valuation of the railway by the commission in accordance with the transportation act of 1920. Under that act railway companies are required to return one-half of their earnings above 6 per cent to the government, to be placed in a fund to finance non-profitable but necessary roads. On the valuation of the road by the Interstate Commerce Commission, naturally, depends the computation of the 6 per cent return and the amount to be paid to the government. The specific question involved in this case was whether the commission had, as required by the transportation act, given due consideration to the present cost of reproduction as a factor in valuing the carriers. By a five to three decision the Supreme Court ruled that it had not. Associate Justices Brandeis, Holmes and Stone dissented.

Some fear was expressed that an increased valuation of the railroads would necessitate higher rates to secure adequate returns. On this subject President Hoover said on May 21: "I am confident that there will be no increase in railway

rates as the result of the O'Fallon decision." Charles Evans Hughes and John W. Davis were among the prominent lawyers who participated in the case.

Rosika Schwimmer, Hungarian pacifist lecturer, was refused citizenship by a Supreme Court decision on May 27. Mrs. Schwimmer, who has lived in Illinois for the past eight years, applied for citizenship two years ago. To the question in the citizenship application blank whether she would bear arms in defense of the United States she replied: "Not personally. I understood women are not required to bear arms in the United States." By a six to three decision the Supreme Court barred her from citizenship. In the majority opinion Justice Butler said: "The fact that she is an uncompromising pacifist, with no sense of nationalism, but only a cosmic sense of belonging to the human family justifies belief that she may be opposed to the use of military force as contemplated by our Constitution and laws. * * * Whatever tends to lessen the willingness of citizens to discharge their duty to bear arms in the country's defense detracts from the strength and from the safety of the government." A dissenting opinion written by Justice Holmes and concurred in by Justice Brandeis declared that "if there is any principle of the Constitution that more imperatively calls for attachment than any other, it is the principle of free thought, not free thought for those who agree with us, but freedom for the thought that we hate."

A test case of minor significance resulted in the highly important decision by the Supreme Court that a pocket veto by the President is effective at the end of any regular session of Congress. The application of this verdict means that the Muscle Shoals bill, left unsigned by President Coolidge at the end of the June, 1928, session of Congress is dead. A reverse decision would have required the government immediately to start operation of the Muscle Shoals plant as required in the Norris bill.

The post of Governor General of the Philippines, relinquished by Henry L. Stimson when he became Secretary of State, was offered to Dwight F. Davis, and President Hoover announced his acceptance on May 17. Colonel Theodore Roosevelt was appointed Governor of Porto Rico on May 23.

Employees in the Bemberg and Glanzstoff textile mills at Elizabethton, Tenn., who went on strike for higher wages on March 12 returned to work on May 27. The settlement was brought about by secret negotiations conducted by Miss Anna Weinstock, a representative of the Department of Labor. E. T. Wilson, in whom the employees were said to place confidence, was appointed personnel manager by the mill owners. The settlement provided that if any employe was refused reinstatement the case was to be referred to Mr. Wilson and to be decided solely by him. The management agreed to meet a committee of employes to settle grievances.

MEXICO AND CENTRAL AMERICA

Mexican Church and State Dispute

By CHARLES W. HACKETT

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PROSPECTS which brightened during May for the opening of formal negotiations between the Mexican Government and representatives of the Mexican Catholic hierarchy for a settlement of the controversy between the Church

and State in Mexico were practically realized in June, when, on the tenth of the month, Mgr. Ruiz y Flores and Bishop Pascual Diaz made a formal call on President Portes Gil. Commenting on a previous statement made by President Portes Gil

on May 1 to the effect that no religion in Mexico would be persecuted and that the Catholic clergy might "renew the exercise of their rites" on condition that they respect the laws of Mexico, Archbishop Ruiz, senior prelate of the Mexican Catholic hierarchy, said that "the religious conflict in Mexico arises from no cause which cannot be corrected by men of sincere good-will" and that "the Catholic Church and its ministers are prepared to cooperate with the Mexican Government in every proper and moral effort for the benefit of the Mexican people."

President Portes Gil, on May 7, expressed willingness to discuss with Archbishop Ruiz "the way to bring about cooperation in the moral effort to better the Mexican people which he desires." Two days later it was reported from Washington, where the Archbishop was on a visit, that the decision as to whether the proposed conference should be held rested with the Vatican, to which the matter had been referred; on May 11 Archbishop Ruiz stated that he had "well-founded hopes that, counting on the good-will of all, without destruction as to the parties or opinion, God will allow us to reach a satisfactory solution"; and on May 14 he dispatched a circular telegram to the Mexican Catholic hierarchy inquiring if they approved the proposed conference. Of the thirty prelates included, twenty at the time were in the United States, eight in Mexico, one in Guatemala and one in Spain. There was, however, during the first week of June cause for optimism over the probable return of these religious exiles in the arrival in Mexico of Francisco Urranga y Saenz, the first exiled Bishop to go back to Mexico. This was followed by the return on June 8 of Bishop Pascual Diaz and of Archbishop Ruiz, the latter of whom had been appointed on May 31 apostolic delegate to Mexico from the Holy See. Archbishop Ruiz is the first apostolic delegate to be sent to Mexico since the outbreak of religious difficulties in 1926. After a fortnight in Rome, during which conferences were held with Pope Pius XI, Bishop Guizar y Valencia, Bishop of Chihuahua, left for America on May 27.

The early formation of a national temperance committee, under the general direction of the Public Health Department, with its expenses borne by the National Treasury, was announced by President Portes Gil on May 14. The committee is to discuss with the National and State Governments the question of "gradual and prudent" promulgation of dry measures. These include limitation of the number of saloons; prohibition of sale for consumption on the premises of liquors of high alcoholic content which are to be sold only in sealed bottles; limitation of sale of liquors to be consumed on the spot to fermented beverages and distilled liquors of low alcoholic content; prohibition of the sale of intoxicating beverages in saloons to women and children; prohibition of the sale of food in saloons, and regulation of cabarets and dance halls. In addition the plan includes obligatory anti-alcohol instruction in all public and private schools; the organization of mothers, teachers and school children into leagues against alcohol; national and State exhibitions to show the harmful effects of drink and the benefits of physical education; the inclusion in the first pages of all textbooks of a lecture against alcoholism; obligatory showing in all moving picture theatres of anti-alcoholic propaganda slides; the giving of temperance lectures to the army, and in factories and labor union headquarters; and the distribution throughout the country of anti-alcoholic propaganda posters. An official ban on alcoholic beverages at State banquets was begun on May 15 when, at a dinner given in honor of General Joaquin Amaro, and at the personal request of President Portes Gil, mineral water and pineapple juice were the only liquids served. A decree empowering the police to close immediately any saloon, cabaret or other place where liquor is sold if "scandalous conduct" was reported, was signed by President Portes Gil on May 28.

General Plutarco Elias Calles, Minister of War and Federal Generalissimo during the recent campaign against the Escobar revolutionists, returned to Mexico City on May 12, when he was officially welcomed by President Portes Gil and enthusiastically acclaimed a hero by a large crowd

of admirers. On May 20 it was officially announced that General Calles had resigned as Minister of War and that General Joaquín Amaro had been appointed to succeed him. It was when General Amaro resigned as Minister of War at the outbreak of the rebellion, as the result of an accidental injury to an eye, that General Calles was appointed in his place. In a "last word" statement on May 21, General Calles urged "respect for the vote," and stated that one of Mexico's greatest needs was "ballots instead of bullets." Support of the national government by the army was also urged.

Punitive action on a large scale against the "religious rebels" in Mexico was undertaken by the Mexican Government immediately after the collapse of the Escobar rebellion and was vigorously continued throughout May. The organization on the west coast of an army of 15,000 to stamp out the revolt in the States of Jalisco, Michoacán, Colima, Nayarit, Zacatecas and Durango was announced on May 3 by Minister of War Calles. He expressed the belief that the "religious rebels," who have been active in scattered bands since 1926, could be suppressed with the same celerity as the Escobar rebellion. Hostilities inevitably followed and on May 8 dispatches reported that sixty-eight "religious rebels" had been killed in Jalisco in a severe battle with Federals, aided by Agrarians. It was reported on May 14 that the alleged leader of the "religious rebels," José O. Salinas, had been killed and that forty of his chief aides had been arrested, and on May 24 that in a battle in the State of Michoacán fifty insurgents were killed and fifty others wounded. A report of June 4 further stated that Enrique Goroztieta, a leader of these rebels, was killed in a battle with the Federal troops under General Saturnino Cedillo. It was felt that the death of Goroztieta, a former Federal, marked the end of the guerilla warfare, so active in Jalisco since 1926.

A strike of the law students at the National University because of their opposition to recent changes in examination methods was the inspiration for the National Federation of Students to vote on May 9 to call on all affiliated bodies, with

a membership of 130,000, to declare a one-day sympathetic strike. Clashes occurred between striking students and police on May 23, in the course of which, according to uncorroborated student allegations, six students were killed and many wounded. Three university professors by May 24 had resigned out of sympathy for the students, and as an outcome of the strike, Narciso Bassols also resigned as rector of the law school of the university. Representatives of striking bodies of students voted on May 26 to request President Portes Gil to demand the resignation of Minister of Public Education Padilla, the rector of the university and the Chief of the Federal District Secret Service. As a demonstration in favor of striking students of the law, medical and other schools of the university 12,000 students paraded through the principal streets of Mexico City on May 28 to the National Palace. This was the answer of the students to President Portes Gil's request that they present a petition to him giving reasons for the strike. After the clash between students and police on May 23, President Portes Gil instructed the police to cease picketing the schools and placed the students on their honor. The affair was finally settled on June 5, when Portes Gil, with the consent of the Chamber of Deputies, declared the university free of government direction. The students' strike ended the next day.

Damage to Mexican railways during the Escobar rebellion was estimated at \$15,000,000 (30,000,000 pesos) by Mariano Cabrera, general manager of the National Railways, on May 17. Mexico City newspapers on May 22 published unofficial statements that 4,000 people had been killed in the Escobar revolt on both sides and that the total loss, including funds "robbed from banks by rebel Generals" was \$50,000,000. Property of Generals who joined the Escobar rebellion was confiscated during May. Later in the month the Chamber of Deputies voted to remove from office fifty-two members because of alleged participation in the Escobar rebellion. The majority of these were former supporters of Gilberto Valenzuela, a prominent candidate several months ago, who cast his lot with General Escobar.

Aarón Saénz on May 21 withdrew from the Presidential race on the ground that he did not wish to split the Grand Revolutionary party, which nominated as its candidate Pascual Ortiz Rubio just before the outbreak of the Escobar rebellion early in March. Before Rubio's nomination Saénz withdrew from the convention, charging favoritism in the seating of delegates. The President of the Anti-Re-electionist party, Vito Alessio Robles, denied on May 24 General Calles's contention that the revolution that began in 1910 had been an economic success, and blamed Calles for the people's poverty and for the fact that "foreigners are taking control of Mexican industries and land." Full freedom of speech during the coming campaign was promised in a statement issued on May 11 by Minister of the Interior Canales. This was reported to be a result of President Portes Gil's strong disapproval of recent arrests of politicians who criticized the Mexican Government in their campaign speeches.

United States Department of Justice agents arrested in New York City on May 4 Salvador Ateca, a wealthy Spaniard, who was a paymaster in the Mexican rebel army; Antonio G. Maquero, Mexican secretary to Ateca; Russell B. Matthews, assistant United States Director of Immigration for the District of El Paso, Texas, and W. H. Fryer, former assistant United States Attorney at El Paso. They were charged with conspiracy to aid the departure from the United States as a fugitive from justice of Salvador Ateca; in addition Ateca and Maquero were charged with having "looted Mexican banks and the public treasury in the State of Chihuahua." Ateca and Maquero previously had been indicted for violation of the neutrality laws of the United States and had skipped their bonds of \$5,000 each in Kansas City. When arrested they had in their possession \$750,000 in money and securities, including \$76,997 in United States Government banknotes. Ateca and Maquero were sent to jail and Russell and Fryer were released on bonds. Application of Ateca and Maquero for bail was denied

by United States Commissioner Cotter on May 7, and on the same day Department of Justice officials began submitting to a Federal Grand Jury evidence in support of the conspiracy charge against the two men. Efforts on their part to secure their release under a *habeas corpus* action failed on May 9. In the proceedings against the two men, officials of the Mexican Government broadened the charges against them and alleged their looting of "public treasuries, postoffices, custom houses and banks" in Northern Mexico. In a formal complaint filed under oath on May 13, United States Attorney Tuttle omitted the name of Russell B. Matthews when he charged the three other men who had been arrested with him with conspiracy to help Ateca escape from the United States to Spain.

CENTRAL AMERICA—Arms embargoes against Honduras and Nicaragua which were imposed by the United States Government in 1924 and 1926, respectively, were relaxed by the Department of State on May 10 so as to permit shipments to those countries of articles susceptible of employment for warlike purposes, such as barbed wire, machetes, chemicals and pharmaceutical products.

Announcement that the treaty of 1926 between the United States and Panama would not be presented to the Panama National Assembly, unless it is modified by the United States, was made by Dr. J. D. Arosemena, Panaman Foreign Minister, on May 23.

CUBA—General Geraldo Machado y Morales was inaugurated President of Cuba for a second term of six years on May 20. During his first term of four years he repeatedly stated that he would not be a candidate to succeed himself. In 1928 a constitutional amendment extended the Presidential term from four to six years. In November, 1928, he stood for re-election and received the nomination of all three major political parties. He was therefore elected without opposition, so far as the voting list was concerned.

SOUTH AMERICA

Settlement of the Tacna-Arica Dispute

By HENRY GRATTAN DOYLE

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THE outstanding event of the month and in all probability the most momentous political happening of the year in South America was the final adjustment of the Tacna-Arica question which had long been pending between Chile and Peru. The agreement was announced on May 17 by President Hoover as an act of "good offices" rather than as arbitrator, because, while technically arbitrator in the dispute under the terms of the protocol signed by Peru in 1922, the efforts of the United States have been confined to the exercise of good offices since the award by President Coolidge as arbitrator in 1926 collapsed over the holding of a plebiscite in the two provinces. The treaty was formally signed in Lima on June 3 by Ambassador Emiliano Figueroa Larrain for Chile and Pedro Raday Gamio, Minister of Foreign Affairs, for Peru. The text of the documents covering the settlement follows:

President Hoover's statement, issued in Washington on May 17, 1929:

The President is happy to be able to announce an agreement between the governments of Chile and Peru relative to the nearly half-century-old question of Tacna-Arica.

As a result of the high statesmanship and lofty ideals of the Presidents and governments of Chile and Peru, diplomatic relations were renewed between those countries last September at the suggestion of the Secretary of State, and rapid progress toward a settlement satisfactory to both was made.

However, when the President, as President-elect, visited Peru and Chile last December he was advised of the difficulties of a definite settlement and gladly consented to lend any proper assistance, upon assuming office, with a view to bringing about, if happily it might be, a final agreement between the parties.

Accordingly, on May 14, the President, not as arbitrator but in the exercise of good offices at the request of the parties,

transmitted to the Presidents of Peru and Chile, through the American Ambassadors at Lima and Santiago, a proposal suggesting the final bases of a settlement. This proposal was presented to the two governments on May 15 and was immediately accepted by them.

The following are the texts of the notes of transmission of the proposal and of the acceptances:

Text of notes of transmission delivered by the American Ambassadors at Lima and Santiago to the Peruvian and Chilean Governments, respectively, on May 15, 1929:

Under instructions from my government I have the honor to present to your Excellency with the request that you be so good as to transmit it to his Excellency the President of Peru (Chile), certain stipulations which the President of the United States of America, not as arbitrator but in the exercise at the request of both parties, of good offices, proposes to the governments of Peru and Chile as the final bases of a solution of the problem of Tacna-Arica.

In presenting this proposal to your Excellency's government I am directed by the Secretary of State to say that, in making it, the President of the United States of America has been guided by agreements reached directly between Peru and Chile on questions involved between them in the solution of the problem of Tacna-Arica.

The proposal is, therefore, not to be interpreted as indicating that either the President or the Government of the United States of America expresses any opinion or view, or makes any suggestion in any way whatever regarding any future disposition by either party of that portion of the territory in dispute which will be in its possession should the proposal enclosed herewith be accepted by the governments of Peru and Chile.

Text of the President's proposal to the Governments of Chile and Peru, May 14, 1929:

Having been informed of the cordial progress of the negotiations between the governments of Chile and Peru with reference to the direct agreements reached

on nearly all the questions involved in the solution of the problem of Tacna and Arica, and having also been informed of the decision of both governments to submit to him the only difficulty that has arisen with reference to the respective viewpoints relating to the projected port of Las Yaras, the President of the United States, summarizing the points agreed upon, proposes to the two governments, in the exercise of good offices, as the final bases of a solution, the following stipulations:

First—The territory will be divided into two parts—Tacna for Peru and Arica for Chile. The dividing line shall start at a point which shall be designated with the name "Concordia," situated ten kilometers to the north of the bridge over the River Lluta, and shall continue parallel to the Arica-La Paz Railroad, following, as far as possible, the topographic features which may make easier the demarcation of the line.

The sulphur deposits of Tacora shall remain in Chilean territory, and the canals of Uchusuma and Hauri, also known as Azucarero, shall remain the property of Peru, with the understanding, however, that wherever these canals pass through Chilean territory they shall enjoy the most complete servitude in perpetuity in favor of Peru. This servitude includes the right to widen the actual canals, change their course and appropriate all waters that may be collectible in their passage through Chilean territory.

The boundary line shall pass through the centre of La Guna Blanca, dividing it into two equal parts. Peru and Chile shall each designate an engineer and the necessary assistants to proceed to the demarcation of the new frontier in accordance with the points herein agreed upon and shall indicate the dividing line by means of boundary monuments.

In case of disagreement, such disagreement shall be decided by a third person designated by the President of the United States, whose decision shall be final.

Second—The Government of Chile will grant to the Government of Peru within 1,575 meters of the Bay of Arica a wharf (*malecon*), a custom house and a station for the railroad from Tacna to Arica, where Peru shall enjoy independence within the most ample free port. All the aforementioned works shall be constructed by the Government of Chile.

Third—The Government of Chile will deliver to the Government of Peru the sum of \$6,000,000.

Fourth—The Government of Chile will deliver without cost of any kind to Peru all the public works already constructed, together with all government-owned real property, in the Department of Tacna.

Fifth—The Government of Chile will

maintain in the Department of Arica the franchise granted by the Government of Peru in the year 1852 to the Arica-Tacna Railroad Company.

Sixth—The Government of Chile shall proceed to deliver the Department of Tacna thirty days after the exchange of ratifications of the treaty.

Seventh—The Governments of Chile and Peru will respect private rights legally acquired in the territories that remain under their respective sovereignties.

Eighth—The Governments of Chile and Peru, in order to commemorate the consolidation of their friendly relations, agree to erect on the Morro de Arica a monument, the design of which shall be the subject of agreement between the parties.

Ninth—The children of Peruvian nationals born in Arica shall be considered as Peruvians until they attain the age of twenty-one years, at which age they shall have the right to elect their definitive nationality; and the children of Chileans born in Tacna shall enjoy the same right.

Tenth—Chile and Peru will reciprocally release any obligation, engagement or indebtedness between the two countries, whether derived or not from the Treaty of Ancon.

Reply of the Government of Chile, dated May 15, 1929:

* * * the Government of Chile has decided to accept them [the stipulations proposed by the President of the United States] in the terms and scope of the note which I now have the pleasure to answer.

My government believes, therefore, that the treaty which is to be concluded between Chile and Peru in accordance with those bases will wholly and finally decide the only pending question arising from the war of the Pacific, and with it the last of the boundary questions of the republic.

The people of Chile, placing confidence in their destiny and concentrating their energies on work, note the utmost importance of this action, which guarantees their safety and promotes their progress.

In thanking * * * the President of the United States of America for his lofty and friendly cooperation toward removing the obstacle which for half a century has kept Chile and Peru apart,

* * * to the President of the United States of America the most cordial thanks for the eminent service which he has rendered, contributing at the opportune moment, with his high authority as friendly mediator, in the solution of the grave international conflict whose termination is of importance not only to the

countries directly concerned in the arrangement but also to the peace of the continent. * * *

In this historic moment, which redounds so to the prestige not only of Peru and Chile, but of America, * * *

CONRADO RIOS GALLARDO.

The Peruvian reply, dated May 16, 1929:

* * * the Government of Peru accepts each and every one of the bases proposed by the President of the United States of America for a final settlement of the question of Tacna-Arica, and, with the acceptance of them by both parties, it considers this question absolutely and finally settled.

PEDRO JOSE RADA Y GAMIO.

The settlement has been greeted with rejoicing throughout North and South America. Only Bolivia, which had hoped that negotiations might ultimately lead to attainment of her ambitions for an outlet to the sea, expressed disappointment. In a memorandum sent to Washington on May 6 the Bolivian government protested against a reported settlement which would preclude any subsequent cession of any portion of the disputed territory to a third power. On May 18 Secretary Stimson pointed out that the actual agreement reached left the door open for later adjustment whereby Chile and Peru might arrange to give Bolivia an outlet; but on May 30 an official note delivered by the Chilean representative to the government of Uruguay in reply to a message of congratulations on the settlement of the Tacna-Arica question contained the following statement: "I have received special instructions from my government to declare that Chile will never break the continuity of her territory and establishes her northern frontier from the locality that will be called Concordia, twenty kilometers to the north of Arica." This apparently ends all hope that Bolivian ambitions may be realized by arrangement with Chile.

Progress is being made in the negotiations at Washington for adjustment of the territorial dispute between Bolivia and Paraguay over the Gran Chaco region. Repatriation of the prisoners taken in the border clash near Fort Vanguardia last December has been agreed upon. Under the supervision of American military attachés and with the cooperation of the

governments of Argentina and Brazil, the Paraguayan prisoners held by Bolivia are to be sent home by way of Argentina, and the Bolivian prisoners held by Paraguay are to be returned by way of Brazil.

ARGENTINA—The city and province of Mendoza have been suffering severely from earthquakes, the first of which occurred on May 23. A week later came another severe shock, and between May 30 and June 5 some fifteen major tremors were experienced. The earth movements were accompanied by great destruction of property and considerable loss of life. The volcano Cerro Nevado began erupting on May 30, sending forth fire and smoke, accompanied by vast quantities of lava. A new volcano, Quipaya, situated near the Chilean border in Curico province, was also reported as erupting.

On May 24 Congress held its opening session. President Irigoyen's supporters are still having parliamentary difficulties with his opponents. On June 5 the Irigoyenist members of the Senate left the floor, causing adjournment of the session because of lack of a quorum. This followed the defeat of a proposal to give Enrique Martínez, president of the Senate and a supporter of Irigoyen, authority to appoint members of committees.

Foreign dissatisfaction with the new American tariff proposals, which has been manifest in a number of countries in the New World as well as in Europe, is rather keen in Argentina, hard hit by our duties on agricultural products, her chief exports. In 1928, for instance, the United States bought from Argentina approximately \$99,500,000 worth of goods and sold her approximately \$178,000,000 worth. This adverse trade balance would be further magnified by the proposed duties.

La Nación of Buenos Aires, ordinarily very friendly to the United States, is editorially urging that the United States be made to feel in advance the consequences of the new tariff bill and threats of retaliatory measures are frequent. Commercial dissatisfaction finds an outlet in attacks on the Monroe doctrine and on American foreign policy generally. It will be remembered that the Argentine delegate at the Havana conference of last

year took the lead in demanding that the Pan American Union take cognizance of tariff matters and later assisted in bringing the non-intervention issue before the conference. Argentina was not represented at the Pan-American Arbitration Conference in Washington last January, and so far has refused to adhere to the Kellogg-Briand peace pact. The matter is of greater moment, therefore, than mere commercial dissatisfaction and carries threats not only to American trade, but to our prestige in Latin America.

BOLIVIA—New Cabinet Ministers have been appointed in the persons of Constantino Carrión, Minister of Public Instruction, and Gregorio Vincenti, Minister of War. This completes the Cabinet, which will hold office until August of next year.

BRAZIL—A demonstration of support for the Presidential candidacy of Antonio Carlos, Governor of the State of Minas Geraes, was held in Belo Horizonte, the State capital, during the last week of May. Delegations of farmers, business and professional men, and—it is to be supposed—politicians crowded the city for four days. The gathering initiated the campaign to obtain the nomination of the Republicans for Governor Carlos. President Washington Luis has refused so far to indicate his choice for the nomination, in spite of considerable criticism of his silence, but it is believed that he will support Julio Prestes, Governor of the State of Sao Paulo. The President's stand in declining to make an announcement before September is calculated to protect the favored candidate from political attack, as well as to prevent union of opposing factions or their fusion with the Democrats, who thus far have shown little activity.

The Brazilian press, especially *O Jornal* and *Correio de Manhã* of Rio de Janeiro, has expressed satisfaction with proposed American tariff legislation because of its fairness to Brazilian products, especially coffee, of which Brazil produced in 1928 approximately 78 per cent of the world's supply. Both the papers mentioned see in the treatment of Brazilian commer-

cial interests an indication of the cordiality existing between the two countries.

An American, William T. Cox, of the Biological Survey, formerly of the Forest Service, has accepted an appointment to organize a national forest service for Brazil.

CHILE—The Chilean Congress began its sessions on May 22. President Carlos Ibáñez sent a message recommending a new electoral law to make registration necessary before voting. He announced that he would soon submit to Congress a treaty of adherence to the Kellogg-Briand peace pact. His message also reviewed the settlement of the Tacna-Arica question.

On May 21 Chile celebrated her Navy Day, in commemoration of the naval victory at Iquique, of which it was the fiftieth anniversary. The occasion had a special significance in view of the final adjustment of the vexed problem of Tacna and Arica. Only a day or two before the Peruvian Ambassador gave a dinner in honor of the Chilean Minister of Foreign Affairs, Señor Ríos Gallardo, at which, in answer to a toast by Señor Elguera, the Peruvian Ambassador, Señor Ríos Gallardo said, "May Chile and Peru never again be divided."

COLOMBIA—In the elections for Congress held on May 13 the Conservatives won a majority of seats over the Liberals, as was expected. It was announced that General Alfredo Vázquez Cobo, Minister to France, was returning to Colombia to run for President in succession to President Miguel Abadía Méndez.

The Minister of Posts and Telegraphs, José Jesús García, has signed a contract with All-America Cables, Inc., under the terms of which the company receives a concession for the operation of wireless telephone and telegraph service in addition to its present cable service.

On June 5 bandits from Venezuela were reported to have crossed the border in southeastern Colombia, looting ranches and terrorizing the inhabitants.

Captain Benjamín Méndez of the Colombian army has been awarded the "dis-

tinguished flying cross" by the United States in recognition of his 4,600-mile flight in 1928 from New York to Colombia.

A summary of the credit position of Colombia issued by the Institute of Public Finance on May 25 brings out the following points: Colombia is third in population and fourth in size among the South American countries. Coffee is the chief export, amounting to 65 to 80 per cent of the total annual exports and 22 per cent of the total agricultural production; Colombia is the second coffee-producing country in the world. The outstanding development of recent economic life is large-scale production of petroleum, begun in 1926, exportation of which by 1928 had increased from 4,700,000 barrels to 18,160,000 barrels. Railway development has been slow, only 1,483 miles being in operation at the end of 1927. The public finances have improved since the adoption of the recommendations of the American Commission of Experts (headed by Professor Kemmerer) in 1923 and the establishment of the Banco de la República in that year, although the closed accounts for 1926 and 1927 showed a deficit. From 1923 to 1926 the total debt of Colombia was cut almost in half, but from the end of 1926 to the end of 1928 the external public debt increased by about \$58,000,000, while foreign borrowings of departments and municipalities also increased rapidly. In order to check foreign borrowings, a law was passed on June 5, 1928 limiting the borrowing capacity of departments and municipalities.

PERU—President Augusto B. Leguía seems to be assured of re-election when his present term expires on Oct. 12, 1929. He has been nominated by both the Democratic Reform Party and the Constitutionalists, the two largest political groups. He has been President since 1919, when he attained the Presidency by a *coup d'état* which Congress later legalized. He was re-elected in 1924.

The Peruvian Government on June 2 renewed for twenty-five years the existing cable contract with All-America Cables, Inc., and at the same time granted the same company a concession for wireless telephone and telegraph operation.

General satisfaction with the settlement of the Tacna-Arica question is reported in a dispatch from American Ambassador Alexander P. Moore to the Department of State. Labor, commercial and banking interests, political leaders, and numerous organizations and individuals have expressed their approval and support, he said. There has been some slight disapproval of the settlement, however. A newspaper dispatch reports that *La Noche* of Lima has assailed the treaty, declaring that Peru is merely exchanging enemies—obviously a reference to Bolivian dissatisfaction. *El Tiempo* answers this by the assertion that the new treaty serves the cause of peace instead of endangering it.

VENEZUELA—After repeated refusals of President Juan Vicente Gómez to accept re-election by Congress steps were initiated to amend the Constitution so as to create the position of Commander-in-Chief of the army, the post which the retiring President announced he would accept. On May 30 Congress unanimously elected Dr. Juan Bautista Pérez, Chief Justice of the High Court of Cassation, who since April 16 had been acting as Provisional President, as constitutional President for the full term of seven years ending in 1936. Immediately thereafter the retiring President was unanimously elected Commander-in-chief of the army. He thus becomes the military mainstay of the new President, whose choice he suggested. Contradictory reports as to the success or lack of success of revolutionary activities are current.

General Gómez is said to be the second richest man in South America, the richest being Simón Batiño, the Bolivian tin magnate. Gómez has enormous holdings of agricultural, grazing and mineral lands and is reported to employ 12,000 persons in his various enterprises, important products of which include coffee, rubber, cotton and cocoa.

Enlightened political thought and liberal opinion generally have little patience with dictators such as General Gómez, who for twenty years has ruled Venezuela with an iron hand. Business interests, of course, both domestic and foreign, are pretty generally in favor of stable government, how-

ever, even in preference to more ideal conditions politically which might be gained at the expense of "business." For this reason it does not appear that success will attend revolutionary activities in Venezuela in the near future. Moreover, there is always the possibility that President Pérez will gradually bring about better political conditions, just as the former President has improved the economic situation of his country. Of the truth of the latter statement there can be little doubt. There has been a steady reduction in the national debt; indeed, the government sight deposits in the Bank of Venezuela

are reported to be larger than the entire government debt. As the President pointed out in his message to Congress on April 19, a splendid system of highways has been developed since his accession to office on Dec. 19, 1908, and public works generally have been given much attention. Agriculture and stock raising have been encouraged and an agricultural bank has been in operation for a year. A favorable attitude toward foreign capital has made Venezuela the second oil-producing country in the world. Manufacturing of textiles has been fostered and a considerable amount of rayon is being produced.

THE BRITISH EMPIRE

Labor Split and Native Question Features Of South African Election

By RALSTON HAYDEN

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A PART from the general election and the change of government in Great Britain (treated elsewhere in this magazine), probably the most interesting political situation of the month in the British Empire was the electoral campaign in South Africa, where the Parliament of the Union was dissolved on April 30 and polling set for June 12.

As the campaign proceeded, internal dissension brought about a split in the Labor party so serious as to divide it into two contending and bitterly hostile groups. In four constituencies the Creswell and the National Council sections of the party nominated opposing candidates, and in a number of other localities the rival factions seemed to be more interested in their own quarrels than in securing an electoral victory for their party. Labor dissensions were expected to redound chiefly to the benefit of the South African party of General Smuts, as Labor is a necessary part of the Nationalist-Labor combination which has been in power under the Premiership of General Hertzog.

The policies of the South African party, as enunciated by General Smuts on the night of the Parliamentary dissolution, indicated the chief issues of the campaign. The fundamental issue continued to be the relations between the white inhabitants of the Union and the native races. General Smuts's proposal was to call a national convention to deal with this matter by negotiation, agreement and understanding. No policy with reference to the rights of the natives, he declared, was feasible unless carried by general consent. Furthermore, he expressed the conviction that the position would never be safe for European civilization in South Africa unless the balance of population were redressed by a well-regulated system of immigration. A sound immigration policy would be a real and permanent solution of the native question. The British Government, he declared, would cooperate financially and otherwise in securing British immigrants, and the South African party would push this policy in every way. Other planks in the South African party's

platform were the denunciation of the German trade treaty unless it were amended in respect to British preference; votes for women; the amendment of the present scheme of State management and financing of the iron and steel industry, and extension of the federation to include the Rhodesias, but not beyond them.

AUSTRALIA—While Labor has won a notable victory in Great Britain, the Government of the State of Queensland, which had been carried on continuously for fourteen years by the Labor party, was overwhelmingly defeated and turned out of office at the general election which took place on May 11. Out of 43 seats held before the election Labor lost 18, and four Ministers were among their defeated candidates. In the new House, the Nationalist-Country Coalition, headed by A. E. Moore, who became Premier, was expected to have 46 members, as against the 26 supporters of Mr. McCormack, the former Labor premier. The chief cause of the Labor party's defeat was a general conviction that its policies had not only failed to develop the industries of the State, but had actually proved disastrous to its economic welfare. The State enterprises which the government had started for the purpose of lowering the cost of living had failed dismally, and at the same time been a hindrance to the investment of private capital in Queensland. Mr. McCormack, furthermore, was attacked by the Left Wing of his own party, which was dissatisfied with his failure to put its more radical ideas into practice. The radical elements wished to appeal to the people on a definitely socialistic program. The ex-Premier also was unpopular among considerable sections in the trade unions on account of his methods in dealing with the general strike of railwaymen.

GREAT BRITAIN—The union of the Church of Scotland and the United Free Church in a national church to be known as the Church of Scotland was voted by the general assemblies of the two bodies in Edinburgh on May 24. The union, which will become effective next October, terminates the division in the Scottish Presbyterian communion which

has existed since the "disruption" of 1843. Members of the Church of Scotland were practically unanimous in desiring the amalgamation of the two churches, but a considerable minority of the communicants of the Free Church were opposed to it, and have announced that they will maintain their separate congregations in the future as they have in the past. Their objection to the union is that the Church of Scotland, despite the acts of 1921 and 1925, is still under State control.

On May 30, after it was thought that the King was entirely out of danger and on the high road to complete recovery, announcement was made from Windsor that he had suffered an attack of fever and was again confined to his bed. Later bulletins indicated that the relapse was caused by an external chest abscess which was not of itself a serious affection. In view of the long and weakening illness from which the King was just recovering, however, the news of his setback caused considerable anxiety, though this was subsequently allayed by more reassuring bulletins.

NORTHERN IRELAND—The Unionist (Conservative) party increased its majority in the Parliament of Northern Ireland at the general election which took place on May 22. Thirty-four of its candidates were returned from the ordinary constituencies, while it was expected that four more would be added to the list when the returns from Queen's University were announced. The party's strength in the last Parliament was 33. The Nationalists elected all the eleven candidates which they put in the field, but Labor won only one of the five seats which it contested, although it had been represented in the preceding Parliament by three members. The Liberals ran six candidates, but elected none of them. The primary issue in the campaign was that of nationalism. Under the leadership of Joseph Devlin, the Nationalist party urged the creation of a United Ireland, under one flag and with one government. The Unionists stood for a continuation of the British connection. Efforts to make issues out of prohibition or local option and the question of church control over the schools failed.

On May 29 Parliament met, and after electing Mr. Harry Mulholland Speaker proceeded to the consideration of financial business. It was expected that adjournment until the Autumn session would occur within a few weeks.

INDIA—The problem which the home rule movement in British India has presented to the native Indian States and their rulers was brought to public attention at a conference of subjects of the native States which convened at Simla on May 25. The presiding officer of the gathering declared in his opening address: "We want the whole of India under a constitutional swaraj (home rule), with neither one part under dishonoring alien sway nor another under autocratic, though

indigenous, rule." The princes were asked to prove their sympathy for the nationalistic aspirations of British India by converting themselves into constitutional rulers. The leading political organizations of India were urged to prepare a Federal Constitution which would provide for a nation containing both the provinces of British India and the native States. This conference will probably produce no immediate political results. It seemed to represent, however, the type of demand which has recently led the native princes to value more highly their British connection, and which may play an important part in Indian affairs during the next generation—demands that the native States be democratized and made parts of a united India.

FRANCE AND BELGIUM

French Municipal Elections Leave Strength of Parties Unchanged

By **RAYMOND TURNER**

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THE results of the municipal elections held throughout France on the first and second Sundays in May showed no particular trend and no important alterations, though various parties asserted satisfaction at the outcome. The Radical Socialists remain the strongest single party in the country, with majorities in 227 out of the 769 communes of the republic. In 164 towns and villages the Socialists are in control. The various divisions of the Conservatives and the Moderates hold among them 312 localities. The Communists control only thirty localities, and at the other extreme the French Fascisti have only eight. Had there been any marked trend toward the Left, M. Poincaré would probably have felt it necessary to reconstruct his Ministry by including some members from the Radical Socialists and other groups of the Left. It was at first thought that the Radical Socialist, M. Her-

riot, for the past twenty-five years Mayor of Lyons, had been defeated. He himself easily won his seat in the City Council, but the majority was captured by the Socialists, and he announced that he would not be a candidate for the Mayoralty. Induced by associates to allow himself to be put forward, he was again elected after the first indecisive vote, in which some of his opponents cast blank ballots. In Alsace and in Lorraine the local elections went heavily against the Autonomists, save in a few places. In Lorraine Communists and Autonomists won power only in some towns of the Moselle River Basin. In Alsace the two groups acting in alliance secured control of Strasbourg and Colmar, where the Nationalists had divided into competing groups. According to the *Elsaesser Bote*, organ of the Catholic Nationalists, autonomism aided communism. The activities of the Separatists in the

restored provinces continue to arouse resentment and concern among Conservatives in France. The *Elsaesser Kurier* is said regularly to publish items and remarks disparaging or cold to France, with little or nothing favorable, while Germany is generally praised. According to the *Temps*, in general the municipal elections were marked by the large number of ballots required and the small number of resultant charges in the strength of political parties.

The French Parliament met again on May 23, after the Easter recess. The session began with a demand by the extreme Left for a debate on the action of the government in connection with May Day. M. Tardieu, Minister of the Interior, had taken very energetic measures for preservation of order. Strong forces of troops had been assembled in Paris. Processions were not permitted. Revolutionary manifestations and hindrance to work were sternly forbidden. According to the Socialist newspaper *Le Populaire*, M. Tardieu was putting Paris in a state of siege and provoking his opponents, while *Humanité* protested against a *coup de force*. According to the Conservative *Temps* there had, in the latter days of April, been redoubled efforts inspired from Moscow to stir up the citizens to civil strife and seduce the army to revolt. Actually more than 3,000 persons were arrested on May Day. Accordingly the Communist leader, M. Cachin, burst into bitter criticism of the government, terming the police procedure unconstitutional and unjustified. Various Deputies of the Left, declaring that a vital principle of government was at stake, joined with the Communists in demanding a day for interpellation. M. Tardieu then invoked a question of confidence, whereupon the Chamber voted to shelve the demand by 326 to 258.

The Council of Ministers, President Doumergue presiding, approved for presentation to the Chamber the budget for 1930, amounting to 48,665,916,000 francs, thus exceeding the budget for 1929 by 3,300,000,000 francs. The principal increase in expenditure, 535,000,000 francs, is for social work, construction of low-price dwellings and widespread and vigor-

ous efforts to increase the birth rate. The budget for national defense is also enlarged by 224,000,000 francs, this, it is said, to be devoted mainly to improving the soldiers' quarters and food, all enlisted men to receive an increased ration of meat. The revenue expected for the fiscal period is 48,722,103,000 francs. Tax reductions of about 1,500,000,000 francs are proposed. Since they result from diminishing the burden on transactions in stocks and bonds and on property transfers and from lessening the income tax and luxury taxes, Socialists and others of the extreme Left declare that the government has shown no concern for the poorer classes, and announce that they will oppose the government's plan. Other classes are much pleased, since good results are anticipated on the Paris Bourse and in the French markets, and because insistent demands by the business interests for relief have been to some extent heeded.

Returns for the first four months of the current fiscal year, issued in the latter part of May, show that the yield from taxation has been 13,500,000,000 francs, nearly 2,000,000,000 francs more than anticipated, and considerably more than in the corresponding period of the previous year.

The question of ratifying the Mellon-Bérenger debt settlement with America is said to have been debated fully at a meeting of the Cabinet. A majority within the Cabinet is said to favor ratification, believing that the financial recovery of France, so ably directed by M. Poincaré since 1926, requires for completion a definite settlement of the war-debts problem. Since, however, the Chamber failed to act, Premier Poincaré suggested ratification by Executive decree. This idea was strongly opposed by the Foreign Affairs Commission of the Chamber, to which the Premier had already submitted the Mellon-Bérenger settlement for consideration and recommendation to the Chamber. Members of the commission objected to ratification by decree on constitutional and traditional grounds, although M. Poincaré brought forward legal opinions which sanctioned it. Meanwhile a proposal to defer from Aug. 1, 1929, to May 1, 1930, the payment by France to the United

States of \$400,000,000 on account of the former purchase by M. Klotz of war stocks has been introduced in the United States Congress. Philip Snowden, before becoming again British Chancellor of the Exchequer, reproached France for not having paid her war debts to Great Britain, but a communiqué of the French Finance Ministry asserted that while the Caillaux-Churchill agreement had not been ratified, the annuities which it fixed had been regularly paid since 1926, total payments amounting to nearly 16,000,000,000 francs at the present rate of exchange. The Socialist Deputies urged that the Chancellor should at once discuss the settling of the interallied debts. This was opposed by members of the Right, some of whom protested against any promise to evacuate the Rhineland at an earlier date than that stipulated, and against any ratification of the Mellon-Bérenger and the Caillaux-Churchill agreements without modifications as to the amount and amendment as to the safeguard clauses.

The five hundredth anniversary of the deliverance of Orleans by Jeanne d'Arc from the English besiegers was celebrated there on May 8. The houses of the principal streets were decorated in gold and red, the city's colors, while the Tricolor of the republic was everywhere with Jeanne's banner, white and blue with the fleur de lys of old royal France. The fête of the maid was celebrated with great splendor in the Cathedral of St. Croix, before President Doumergue, M. Poincaré, the British Ambassador, the Cardinal Legate from Rome, and the Cardinal Archbishops of Paris, Besançon and Westminster. At a military review the French Army rendered its homage.

The contest regarding the restriction of American films has continued, the Superior Cinema Control Commission of the government finally deciding to recommend a four-to-one quota for American and other foreign films instead of the present seven-to-one quota.

Pierre Renouvin, by many considered the ablest and fairest scholar who has dealt with the question of war responsibility, writing in *L'Esprit International*, notes the progress of the campaign of the extreme revisionists, which in France,

America and elsewhere, he thinks, has done much to confuse the issue.

BELGIUM—Elections for the Chamber and the Senate were held on May 26. Under compulsory voting the electorate, numbering some 2,500,000, chose 187 Deputies and a part of the 93 Senators. The results showed slight changes from the elections held in 1925. In the Chamber the Catholics have 76, the Socialists 70, the Liberals 28, with small numbers for various other groups. In the Senate the Catholics have 41, the Socialists 36, the Liberals 13. Only the Liberals, who had opposed the blue laws restraining the sale of alcohol, and the Frontists, who urge separation of the Flemish portion of Belgium, made fair gains. The Catholics, partly because of the high cost of living and resultant antagonism between urban and rural populations, lost ground. For the first time a seat in the Chamber was won by a woman, Mlle. Dujardie, a Socialist.

The dispute between Belgium and Holland about the Scheldt continues unsettled. This river, which flows first through Holland and then through Belgium, was long kept closed by the Dutch, with consequent ruin of Antwerp's trade and enhancement of the commercial importance of Rotterdam and other Dutch seaports. As a result of the wars of the French Revolution the river was opened again. By a treaty of 1839 Holland was made responsible for the improvement of the Scheldt to meet the demands of river traffic. In the twentieth century it seemed that not enough was being done in improving the channel to meet the needs of the greater ships coming into use, and after a while it appeared that Rotterdam was again growing disproportionately as ships stayed away from Antwerp. The Belgians have been demanding that Holland give better river facilities and have asked that a canal be cut to enlarge the channel. This Holland has refused. The question is complicated doubtless by commercial rivalry, but it is said that the Dutch are reluctant to see the Scheldt's lower reaches made fit for great battleships, especially since Belgium has given over her status as a neutralized country.

THE TEUTONIC COUNTRIES

Aftermath of May Day Riots in Germany

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INCRIMINATIONS and recriminations pervaded the German press and political circles during the days following the Berlin May Day riots. An impression prevails that the importance of the incident was overemphasized, inasmuch as the rioting was localized in districts removed from the centre of the town, and that at no stage of the trouble was there any possibility of an accompanying political upheaval. As the event recedes to permit a proper perspective, the feeling grows that the energy of the police was a form of terrorism which may not have been warranted by the situation.

Critics contend that the official inquiry discloses many details which tend to discredit the police activities in the suppression of the riots and which show that the harsh police measures aided to provoke the turmoil and give what were chiefly police aggressions an appearance of fierce combat between the Communists and the police. Post-mortem examinations of the twenty-four victims are said to have revealed that seventeen had been killed by police bullets. The official inquiry did not establish conclusively that a single shot had been fired by a civilian. Only one policeman of the more than forty injured had received a bullet wound, and that wound he had accidentally inflicted upon himself. The other policemen were hurt by sticks, stones and similar missiles. On May 7, 150 shopkeepers of the Wedding district, where rioting was said to have been severe, declared that the streets were quite safe from Communist excesses and that an ordinary police patrol would have sufficed to maintain order. As might be

expected, there are also suggestions that what would have been otherwise a mild occurrence was exploited and viciously magnified in order to impress the Paris debt sessions with the menace of a Communist Germany in the event of insistence upon staggering reparations.

Dr. Carl Zoergiebel, chief of police, defending the action of the police, said in a statement on May 7: "The police could not have acted otherwise than they did, and no one with a spark of a sense of justice could ask them to go against the sharpshooting rioters with only clubs and firehose. That bystanders were injured is exceedingly regrettable, but in the last analysis we must consider the viewpoint of the decent laborers who were not in the least connected with the uprising and had the right to demand that the fire be quenched as soon as possible." The following day in addressing members of his own Socialist party he said: "Victims were sacrificed by Communists who sent them to their death. The first shot was fired by the other side. Naturally the police could not answer by throwing rotten eggs. My measures were imperative. Insurrection had to be suppressed. Otherwise it would have spread to other places. I cannot proceed against my men before the facts are established. If it appears that some overstepped their duties, I will take action. My measures show the defeat of the Communists. Do your best to make use of this defeat in favor of the Socialist party."

The concluding sentences of Dr. Zoergiebel's statement were used by the radical opposition in an effort to prove that

the shootings were part of a plan to crush communism throughout the Reich. According to the opposition, however, the public disgust with the police will result in substantial Communist gains.

In the Ways and Means Committee of the Reichstag in the course of the discussion of the budget of the Ministry of the Interior on May 6 Centrist and Nationalist Deputies expressed the opinion that the riots could have been prevented by other means than shooting women. Communist Deputy Maslowski declared the Communists had intended to celebrate May Day with a wholly peaceful demonstration. The Minister of the Interior, Karl Severing, a Social Democrat, replied that he had at first doubted the advisability of prohibiting the May Day demonstration, but had changed his mind when he had seen inflammatory Communist literature calling for enforcement of the dictatorship of the proletariat. He praised the police, and said the blood of the victims was on the heads of the Communists. On May 9 Severing informed the Reichstag Ways and Means Committee that he had intercepted two messages addressed to the Communist May Day Committee by the central committee of the Soviet Metal Workers' Union and its executive committee, in which both express their sympathies with the "revolutionary workmen and brave fighters for socialism."

Of the 117 persons held under arrest after the riots, 45 were sentenced to short terms of imprisonment for breaking the peace. The rest were released for want of evidence. In Prussia and Bavaria the police are instituting measures to suppress the Communist "Red Front" fighters. The Berlin Communist newspaper *Rote Fahne*, which was suspended by the police during the May Day riots, was again suspended on May 25, this time for a period of four weeks. Its insistent denunciation of the police handling of the Communist agitation was declared to "tend to undermine the republican form of government and to advocate its overthrow by force."

AUSTRIA—The new government formed after many weeks of negotiations began its Parliamentary career on May 7, when Chancellor Streeruwitz presented his

program to a crowded Chamber. The Socialists apparently decided to reserve severe criticism until the government's attitude toward the Heimwehr or Fascist movement was made clear. The Chancellor, in a non-provocative speech, announced the government's determination to do everything to negotiate a foreign loan, in view of the needs of agriculture for short and long term credits. He indicated that Austria, though not desiring high tariff walls, would not hold her markets open for protectionist neighbors. He stressed the necessity of drawing closer the bonds uniting Austria and Germany.

Dr. Karl Renner, former Chancellor, replying for the Socialist opposition, attacked the anti-Socialist policy of Mgr. Seipel, who resigned as Chancellor a month before, and whom he blamed for rejecting the Socialist offer for the disarmament of the irregular armies of both parties. The Socialist members of the lower house sent a deputation to the government to request it to prohibit further Heimwehr parades in view of the recent fighting and casualties throughout Lower Austria. In the Triesting Valley the workers declared that they will themselves barricade the roads against any further Heimwehr marches.

Dr. Karl Seitz, the Socialist Mayor of Vienna, as Governor of the Federal State of Vienna, issued orders on May 6 to the police to prohibit parades of uniformed private armies until further notice. Although the order would have denied the apparently invaluable Austrian privilege of parading to the Socialists and Republican Guard, it was clearly aimed at the Heimwehr. On May 10 Vice Chancellor Vincent Schumy informed Mayor Seitz that his prohibition on parades in Vienna by private armies was inoperative if the police had previously been notified. The Socialist newspaper *Arbeiter Zeitung* thereupon denounced the Chancellor and the government as "lackeys of Fascism."

On May 12 Vienna witnessed in a heavy rain the spectacle of sixteen uniformed Socialist parades, one uniformed Heimwehr parade, three processions of Christian Socialist, or Right Wing, adherents in civilian garb, and a cross-city footrace. The estimated 50,000 members of the So-

cialist private uniformed army paraded in protest against the "Heimwehr pest," and 2,000 picked members of the Heimwehr, or private army of the Right Wing parties, marched along the Ringstrasse. The 10,000 police required to keep the rival marchers apart led opponents of the passion for parades to deplore the expense of police supervision for an already impoverished State.

It is generally considered that the transformation of the Austrian Army from a pillar of Austrian socialism into a non-political, disciplined instrument of an anti-Marxist State will result from the refusal of the Streeruwitz Government to sacrifice its War Minister, Karl Vaugoin, to the demands of the Socialists and its own Left Wing section. Vaugoin has been carrying on this work for eight years, following an example already set throughout Central and Eastern Europe, where an end has been gradually made of the system that was introduced into the new armies created according to ideas imported from Soviet Russia—armies commanded by soldiers' councils rather than by officers, and the soldiers permitted to elect and be elected. During his former tenure of office Vaugoin tried to rid the army

of Socialists. His success may be measured by the recent elections of soldiers' trustees—a relic of the old soldiers' councils—in which his supporters polled 70 per cent of the vote. Vaugoin prohibited soldiers from attending political gatherings in uniform, forbade political demonstrations in military buildings and strengthened discipline generally.

The Socialists accuse Vaugoin of aiming at the creation of a reactionary army. They allege that no recruits are now accepted unless they carry letters of recommendation from their parish priests, and complain that soldiers are allowed to participate in church parades. Former General Theodor Goerner, who organized the *Schutzbund*, the Socialist private army, is a member of the party committee which deals with army matters, and in this capacity watches Vaugoin's activities. That unwavering Christian Socialist, nothing perturbed, plans to abolish the annual election of soldiers' trustees and to deprive soldiers on active service of their franchise, thus removing the last vestiges of Socialist ideas in the army. The continued popularity of the military service is shown by the 25,000 recruits who offer themselves annually to fill 1,800 vacancies.

ITALY AND SPAIN

Italy and the Vatican Ratify Settlement Of the Roman Question

By ELOISE ELLERY

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ROME witnessed still another significant event in its long history when on June 7 the exchange of ratifications putting into force Lateran treaties, or agreement between the Italian State and the Vatican (see pages 552-566 of this magazine for the full text) took place and thereby brought about the settlement of the long and bitter controversy known as the Roman Question. Nevertheless, only a couple of days before the exchange of

ratifications, Pope Pius XI caused a sensation by publishing an open letter in which he attacked Premier Mussolini for his "heretical and worse than heretical" interpretation of the accord and indicated that there were still matters arising out of the settlement upon which the Italian Government and the Holy See were likely to find themselves widely at variance.

The settlement came before the Italian Parliament in the form of two sets of

legislative proposals, the first a bill to make operative the Political Treaty, Concordat and Financial Agreement; the second, bills to regulate marriage and ecclesiastical property. The first bill was passed by the Chamber by a vote of 357 to 2, and the other measures unanimously. In the Senate the vote was 283 to 10. Having thus passed the Chamber on May 14 and the Senate on May 25, these bills became law with the King's signature on May 27. All that then remained was the exchange of ratifications which, as stated, took place on June 7.

In presenting the bills to the Chamber, Premier Mussolini made a speech lasting nearly four hours in which he reviewed the Roman Question as a problem which had confronted Italy from the time of the Caesars. The problem had been compared to that of squaring the circle and regarded as insoluble, but Fascism had nevertheless succeeded in solving it. But the formula "a free Church in a free State" was not accurate. "We may here," he said, "find ourselves in the presence of a misunderstanding; therefore it is well to make our ideas quite clear. This formula might lead to the belief that two sovereignties exist. These two sovereignties do not exist; they coexist. The Vatican City is one thing, the Kingdom of Italy or the Italian State another thing. Every one must understand that between the Italian State and Vatican City there is a distance that we can compute at thousands of miles, even if it requires only five minutes to go to see this State and ten minutes to walk around its boundaries. The discussion has been described as one between a sovereign Church and a free sovereign State. But in this State the Church is neither sovereign nor free. Its sovereignty here would be a contradiction in terms, and it is not free because it is bound under the terms of the Concordat. The situation may be defined as a sovereign State within the Kingdom of Italy. The Catholic Church with certain special privileges is loyally and freely recognized and other cults are freely admitted."

This lengthy speech met with great acclaim. One portion of it, however, aroused criticism from the Vatican—that dealing

with education, especially the reference to the Catholic Boy Scouts. This organization was dissolved by Mussolini in 1927 as an unnecessary rival to the Fascist Balilla. There being no mention in the agreement of such organizations, the Holy See apparently assumed that they might be revived. By his allusion to this matter Mussolini, however, made it quite clear that he did not propose to allow any such assumption. "Any other régime than ours," he declared, "may believe it useful to renounce the education of the young generations. In this field I am intractable. Education must be ours. Our children must be educated in our religious faith, but we must round out this education and we need to give our youths a sense of virility and the power of conquest."

With this interpretation the Pope by no means agreed, and in a speech before the pupils of a Jesuit school he seized the occasion to declare that "nature and God entrusted to the Catholic Church and to the children's parents the mission of education." Taking up specifically Mussolini's allusion to the development of "a sense of conquest" the Pope spoke as follows: "We cannot say that to perform its duty in the field of education it is necessary, opportune or even advisable for the State to raise conquerors and to train youth for conquest. What one particular State does might be done by the whole world. If all States raised their youth to be conquerors, what would happen? Would the State in this way be contributing to general pacification? Unless what was meant was that youth should be trained for conquest of truth and virtue, in which case we are in perfect agreement. We never can agree, however, to anything that compresses, decreases or denies the rights which nature and God gave the family and the Church in the field of education. On this point we will not say we are intractable, for intractability is not a virtue, but we are 'intransigent,' just as we could not help being intransigent if asked how much two and two make. Two and two make four. It is not our fault if they do not add to five or six or fifty." Speaking more particularly of the suppression of the Catholic Boy Scouts, the Pope said: "When it is a matter of saving souls or preventing

greater harm to souls, we feel enough courage to negotiate with the devil himself. It was just to prevent greater harm, as every one knows, that we negotiated when the fate of our beloved Catholic Boy Scouts hung in the balance. We made sacrifices to prevent greater ills, but we made clear how deep was the pain we felt at being obliged to take such a step."

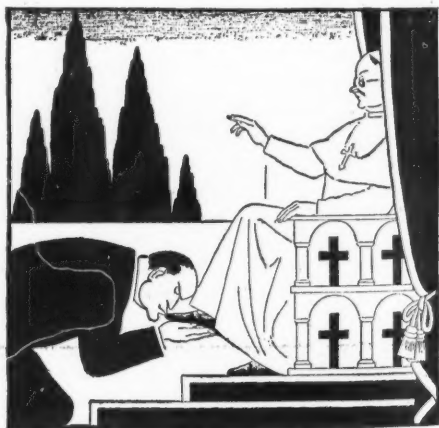
Opposition to the agreement itself was voiced in the Senate by Senator Benedetto Croce, the philosopher who has long been an anti-Fascist. The Political Treaty and Concordat, he declared, were only the other extreme of Free Masonry, and he could not see without pain the "rupture of the equilibrium which had been established." He further objected to "the manner in which conciliation had been effected, in particular the conventions which accompanied it and formed part of the laws attached."

These objections Mussolini answered in his speech before the Senate on May 25. Signor Croce, he declared, had criticized the Lateran treaties but he had not suggested any better way. As to the controversy with the Pope, it was necessary to distinguish between education and instruction. So far as instruction was concerned, Mussolini said, the Fascist Government did not claim a monopoly, as was proved by the fact that the first Italian Catholic university was opened and recognized during the Fascist régime. As to education he went on: "If the modern world were not that world of wild wolves we all know, even if some of these wolves wear silk hats and morning coats, we could do without educating youthful generations in our own way. I refer, since I do not like hypocrisy, to the warlike education of our youth. The word must not frighten you. This education is necessary in Italy because our military virtues have not had an opportunity to show themselves for many centuries. The last war is the first after the fall of the Roman Empire fought and won by the Italian people as such. This is because we have an interest to defend and must defend our existence as a people day by day; that we must not yield to the blandishments of internationalism which I can understand in nations which feel sure of

their position, but which I cannot admit in nations which still have their way to make in the world."

It is to be noted that, apart from the comparatively minor problem of the Catholic Boy Scouts, the control of the whole system of education by the Catholic Church is very great—dangerously so, according to some critics. Compulsory religious instruction is extended to include secondary as well as primary schools, and pupils in the ecclesiastical schools and the State schools are to be treated on terms of equality when taking State examinations. Critics see especial danger to free inquiry in the provision that "those incurring censure of the Church cannot be employed in a teaching position or office or employment in which they have immediate contact with the public." This, they declare, gives the Church a strangle-hold over all public education. Supporters of the Church, on the other hand, call attention to the fact that the right has been reserved for fathers of families to ask that their children be exempted from religious teaching and that only for those for whom no exemption is asked is religious instruction obligatory; and that after all the vast majority of the population of Italy is of the Catholic faith and should be brought up in it.

The open letter in which the Pope criticized Premier Mussolini was addressed to Cardinal Gasparri, Papal Secretary of



The Popular Song of the Papal State—"I kiss your foot, papa."
—*Simplicissimus*, Munich



SAINT BENITO

"A suggestion for a stained-glass window
in St. Peter's"

—Der Wahre Jakob, Berlin

State, and published in the official organ of the Vatican, the *Osservatore Romano*, of June 5. The letter begins by expressing sorrow that the serene joy with which the signature of the agreement was greeted by the whole world should have been "so profoundly, so painfully shattered" only three months later. "We certainly never expected to hear heretical and worse than heretical expressions about the very essence of Christianity and Catholicism," the Pontiff adds. "To distinguish between historical and doctrinal statements would, in the most favorable hypothesis, be the worst and most blameworthy modernism." The universality of the Church, in fact, says the Pope, can be seen at the very beginning of the Church and of apostolic preaching, which soon extended beyond the boundaries of the Roman Empire, at that time by no means the whole known world.

The Pope then accuses the Premier of a lack of a sense of fitness and a lack of generosity for having recalled, at a time when pacification was being discussed, "laws and regulations and facts both from far and near which cannot but

be painful, offensive and damaging for the Holy See, the Pontiff and Catholics not only in Italy but in the whole world." Objection is also expressed to Mussolini's statement that the Catholic Church in Italy was subject to the State. "It is always the Supreme Pontiff," the Pope adds, "who intervenes and negotiates in the fullness of the sovereignty of the Catholic Church, which he does not represent but personifies by direct Divine mandate. It is not, therefore, the Catholic organization in Italy which would be subject to the sovereignty of the State but the Pontiff himself, the supreme sovereign authority of the Church, who judges what can and what must be done for the greater glory of God and for the greater good of souls."

The Pope then criticizes the Premier's frequent references to the fact that the State had not made concessions to the Church, that the State retained all its means of watching over the Church and its clergy, "as if they were suspicious characters or as if the Church had ever attempted the usurpation or spoliation of the State, while the contrary is historically and notoriously true." The Church instead, the Pope adds, had never asked the State anything except to fight for a just and legitimate collaboration for the common good. The fact that all other religions are freely admitted in the Italian State does not find objection on the Pope's part, "provided," he says, "it is clearly and loyally understood that the Catholic religion and the Catholic religion alone is the State religion with all the logical and juridical consequences that that state implies, especially where propaganda is concerned and provided it is no less clearly and loyally understood that the Catholic religion is not merely one of the many tolerated or permitted religions but is what the letter and spirit of the Lateran Treaties and Concordat make it."

Mussolini's pronouncement that Italy must enjoy full liberty of conscience and full liberty of discussion does not meet with the Pope's approval. Full liberty of discussion, he says, was inadmissible because some forms of discussion can easily trick unenlightened minds and become cloaks for harmful propaganda. Nor is it

possible to concede full liberty of conscience, he says, as it "would be like saying that creatures are not subject to the Creator," unless, he adds, "this means that it is recognized that consciences are not subject to the State, in which case it follows logically that it must also be recognized that the task of education belongs to the Church and not to the State. The State has not a thing to fear from the education imparted by the Church. Nor have science and scientific methods or scientific research anything to fear from the development of religious instruction."

Referring to the fact that he hears on all sides the "Catholic State" spoken of in the same breath as the "Fascist State," the Pope says that he recognizes this fact without any objection, indeed, with pleasure, because it "must undoubtedly mean that the Fascist State, both where doctrine and ideas are concerned and where practical action is concerned, refuses to admit anything which is not in agreement with Catholic doctrine and Catholic action. For without these the Catholic State could not exist."

Turning to the articles of the Concordat regulating marriage, Pope Pius says: "In the matter of marriage the Concordat ensures such benefits for the Italian people that we would gladly have sacrificed our life for." Commenting on the Premier's statement that it is juridically impossible to oblige a Catholic to marry in the Church in preference to only a civil marriage ceremony, the Pope says: "The Church can and must do this with the means at its disposal. It does so even now, declaring those faithful outside the communion who prefer a civil marriage to a religious one."

Referring to Article 5 of the Concordat, the Pope points out that its retroactivity "has been repeatedly denied. If it is a mere question of the word retroactivity we freely admit this word does not appear in the above mentioned article. But the substance of a true retroactive force is contained in the spirit and the letter of the article in addition to having been clearly stated in the discussions during the negotiations."

With reference to the binding force of the Concordat on the Italian Government,

the Pope says: "We cannot have the appearance of a greeting with the vague references which would have one believe that the fate of the Lateran Treaty and the Concordat may in the future not be the same for both. We make a point of recalling and declaring that according to the agreements which have been signed it is not the treaty alone that cannot be placed in discussion. To be even clearer, the treaty and the Concordat, according to their letter and spirit and according also to the explicit oral and written engagements, are as one and are the necessary complements of each other and they are inseparable and unseverable. It follows that they must stand or fall together even if this should entail the fall of the State of Vatican City. We say this not because we abandoned that minimum of just and reasonable optimism which is necessary in life, but in order to make it clear that we are resigned and ready for anything that Divine Providence may be about to wish or permit. This, however, does not prevent us from saying that we also think that the peace is to be a lasting one; indeed, it makes us say it with greater confidence. We believe the peace to be lasting for two reasons, first, because after all and despite all, we retain our faith in the loyalty and good-will of men; second, because we retain our faith in God's help, which we constantly invoke."

Though the exchange of ratifications was accompanied by the ringing of church bells and the gathering of crowds, the ceremony at the Vatican was brief, simple and solemn, and without speeches. One of the most striking and symbolical moments was when the great bronze doors opening out upon the colonnade of St. Peter's Square, which had remained closed for nearly sixty years, except for jubilee celebrations, opened wide so to remain indefinitely, thus indicating the end of the Pope's voluntary imprisonment. Premier Mussolini, who on this occasion entered the Vatican for the first time in his life, was greeted by cheering crowds both on his arrival and departure. The ceremony itself consisted simply of an exchange of texts, one signed by the King and the other by the Pope, and of the drawing up by Premier Mussolini and Cardinal Gas-

parri of a *procès-verbal* in which they stated their "reciprocally loyal and sincere wish to observe the letter and spirit" of the accord.

On May 24 Italy celebrated the fourteenth anniversary of her entrance into the World War by patriotic demonstrations throughout the country. In Rome it was coupled with festivities in honor of Italian universities in recognition of the part which they played in bringing Italy into the war on the side of the Allies.

The slaying of the Counselor of the Italian Legation in Luxemburg and the explosion of a bomb sent to the Italian Consulate have occasioned a furor in the Italian press. These attacks appear to be due to anti-Fascist plotters and the Italian newspapers are clamoring for more drastic measures against them. On the ground that the sentences meted out to the authors of similar outrages in the past have been extremely lenient, they demand that such criminals be tried in Italian courts. Some papers go so far as to suggest that the matter should be taken up by the League of Nations. One of the more extreme Fascist papers writes thus: "How can this terrible criminal chain be broken? The League of Nations' time is taken up unashamedly by the most stupid and most insoluble of problems, opium reform, the calendar, counterfeit money and so forth. Why does not the League take up the problem of political crime as a cause of international friction and tense incidents which may, without any exaggeration, lead to war? The League of Nations has taken into consideration the problem of political refugees in foreign countries merely in order to give this element to European disorder free passes. Refugees, in fact, have been given passports by the League. If Geneva is really working, as it claims, for world peace, then this problem must be studied in a different spirit. Italy must raise in Geneva the problem of reform of the in-

ternational law regarding political crimes. Italy would be thus defending European peace. In any case, whatever the attitude of the League might be toward such a proposal, Italy would have thrown on the League all future responsibility."

SPAIN—The trials by court-martial of the forty artillery officers who were involved in the Ciudad Real revolt against the dictatorship last January began on May 24 (see article by Carleton Beals on Page 633 of this magazine). The officers were in command of the artillery in garrison at Ciudad Real and were masters of the city for twenty-four hours. They then ordered the troops back to the barracks and quietly surrendered to the royal forces sent from Madrid. The military tribunal hearing the charges is composed entirely of Generals and is presided over by the Governor General of Ciudad Real.

Normal student life has been restored in Spain by a decree of the King reopening the closed Spanish universities. After ten persons were killed in fights between students and police in Madrid, King Alfonso issued a decree on March 16 at the suggestion of the Premier closing the university there until October, 1930. Demonstrations of sympathy for Madrid by the universities of Valladolid and Salamanca resulted in their closing by royal decree as well. However, on May 29, practically all universities in Spain resumed their normal activities, the professors having been restored to their positions and most students returning to classes. Although it is not expected to be the conclusion of the trouble, it is hoped that there will be no further outbreaks during the Summer. According to the Premier, the government reserves the right to apply disciplinary measures against individual students or professors who have been prominent in public disorders or who have taken part in political activities against the government.

Balkan National Celebrations

By *FREDERIC A. OGG*

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ONE of the most ardent and colorful national celebrations of recent decades took place in Bulgaria during a six-day period beginning May 12. The festival was to have been held a year earlier but was postponed, partly, it is said, in order that it might be coupled with an announcement of the engagement of the bachelor King Boris, but mainly, no doubt, because of the disastrous earthquake at Philipopol. As carried out, the celebration had a triple aspect, recalling as it did (1) the thousandth anniversary of the accession of the hero-king, Simeon the Great, (2) the lifting of the Turkish yoke fifty-one years ago by the Treaty of San Stefano and the Congress of Berlin, and (3) the name-day of the present popular sovereign who ascended the throne ten and a half years ago, after the abdication of his father, Czar Ferdinand.

The festivities were marked by many dramatic and picturesque ceremonies and episodes. A gigantic official and popular pilgrimage from Sofia to the ancient Bulgarian capital, Preslav, culminated in the laying of the cornerstone of a great cathedral of Saints Cyril and Method (the country's patron saints, to whom it owes much of its culture and the present Cyrillic alphabet). The King presided at a huge open-air feast given by the State to 5,000 Bulgarian patriots. Hundreds of political offenders were pardoned, and all party leaders were prompted to pledge themselves to subordinate their political differences to the higher national interests of unity and solidarity. Fast Marathon runners, in relays, carried to all corners of the kingdom torches lighted at a great central fire kindled by the King. Journeying in ox-carts and wheelbarrows and on donkeys and horses, and dressed in quaint, multi-colored national costumes,

legions of peasants wended their way to the capital to see and form part of the celebration. Only one thing was lacking: despite rumors linking his name with various eligible princesses, no announcement of the King's betrothal could be made. From a high authority it was learned that he would undoubtedly marry Princess Giovanna of Italy if the rules of the Bulgarian National Church and also of the Catholic Church did not stand in the way.

On May 24 the Chamber of Deputies ratified not only Bulgaria's adherence to the Kellogg Pact but also a treaty of arbitration and conciliation recently concluded with the United States.

RUMANIA—Like Bulgaria, Rumania witnessed in May a colossal national celebration—in this case, in commemoration of the creation of Greater Rumania ten years ago. Royalty, officialdom and populace united in impressive tributes at the graves of the country's war dead; military reviews, pageants, games, banquets and thanksgiving services followed in swift succession; and on May 19-20 the festivities reached a climax at Alba Julia in one of the largest civilian and military spectacles ever seen in any Balkan country. Upward of 200,000 peasants from all parts of the kingdom came together to participate in this event.

Mention of Alba Julia serves to suggest the change that has come over the Rumanian political situation within the past year. Formerly, in the days of the Bratianu Government, the indignant peasantry were accustomed to march upon that historic place at frequent intervals to make demonstrations against a régime which they hated and hoped to smash. On the recent occasion, they came there to

express their loyalty to the crown and their confidence in the new and wiser government of Premier Maniu. Much remains to be done to put the country on a satisfactory political and economic basis. But the new régime has accomplished wonders, and in contrast with the record of only a little while ago—a record made up of palace intrigue, junta government, sectional strife and ugly persecution of minorities—the story of Rumania today is as heartening as any in Europe.

A concordat between Rumania and the Vatican, giving the Catholic Church official status in the country, was ratified by the Senate on May 26 and by the Chamber of Deputies three days later. The agreement not only enables official representatives to be exchanged but provides for free religious instruction in Catholic schools and churches and opens the way for Rumanians to be nominated to bishoprics by the Pope.

YUGOSLAVIA—Persistent rumors that King Alexander and General Zivkovitch were about to broaden the basis of the dictatorship by issuing a new constitution and creating a House of Representatives were firmly denied at the middle of May by the General himself. No constitutional changes of any kind, it was asserted, are contemplated.

That severer measures against opponents of the dictatorship are to be employed hereafter was indicated on May 20 by the internment of Svetoazar Pribitchevitch, leader of the Independent Democrats and colleague of the assassinated Croat leader, Stephen Raditch, and, similarly, two days later, by the arrest of the present Croat party leader, Dr. Vladka Matchek. The latter had been sought for several days by the police in connection with an interview given by him to an American journalist on the political situation in Yugoslavia. Although they at first endorsed the King's personal régime, the Croat leaders have never yielded an inch in their demand for Croatian autonomy, and of late there have been increasing evidences of dissatisfaction on the score that this objective seems to be no nearer realization under the new régime than before. A rigorous censorship of political

news continues to make it difficult for the outside world to know what is actually going on in the country.

The trial of Punica Ratchitch and two other former Serbian Deputies, on the charge of having caused the death of Stephen Raditch and two other Croatian Deputies in the shooting affray in the Chamber a year ago, was in progress at Belgrade during the latter part of May. Amid scenes of emotion and excitement, Ratchitch admitted that he was responsible for the shooting, but declared that it was the result of impulse rather than conspiracy, and that the provocation was supplied by the unpatriotic behavior of the Croats who were attacked. The shooting of Raditch was, however, he insisted, an accident, even though that leader was a paid agent of foreign States whose purpose was to destroy Yugoslavia. The trial ended suddenly on June 7 with a prompt decision declaring Ratchitch guilty of slaying Raditch and sentencing him to sixty years and six months in prison. This sentence automatically reduces itself to twenty years according to Serbian law. The decision was received with very little demonstration on the part of the opposing nationalities.

GREECE—Throughout modern Greek constitutional history there has been a strong tendency to a unicameral, rather than a bicameral form of parliamentary organization. There were two chambers from 1844 to 1862, but since the latter date there has been only one. The present constitution, however, calls for two chambers, and on May 16 the newly-created Senate held its first meeting. The body consists of 120 members, of whom at least ninety must be elected by popular vote, for a term of ten years. Powers are, however, so limited that, like most other European Senates today, the assemblage is not only a second but also decidedly a secondary chamber.

The Italian plan to create an Aegean triple alliance of Italy, Greece and Turkey has suffered a serious check by a sudden outbreak of Turco-Greek naval competition. Reports from Angora, late in May, that the Kemalist Government intended to order several warships in Italy prompted

an immediate decision of the Greek Cabinet to acquire a quota of destroyers from France. Premier Venizelos declared firmly that Greece must have a navy in the Aegean sufficiently strong to match the Turkish fleet, and considerable public feeling was aroused. Back of the Turco-Greek rivalry undoubtedly lies the conflict of Italian and French interests and policies in Southeastern Europe. Greek finances are admittedly in no condition to warrant the expenditures contemplated.

HUNGARY—During the second half of May, Premier Bethlen delivered himself of two utterances that drew the attention of all Europe. One was contained in a speech made at the unveiling of a memorial stone to Hungary's Unknown Warrior and was to the effect that his country "would never rest until her lost territories were restored by the decision of some tribunal more just than that which deprived her of them." A little later he declared, however, that the Hungarian Government was "determined to postpone the question of a revision of the Treaty of Trianon until a general pacific atmosphere develops."

The second pronouncement had to do with the perennial "king question." What Deputies of the Government party, of the Legitimist adherents of "King Otto" and of the Social Democratic opposition have vainly tried for years to extract from him was, curiously enough, obtained by the correspondent of the *Gazette de Toulouse*, a French provincial newspaper. The heart of the statement was as follows: "It will be a very long time before the Hungarian Government sees that the right moment has come for dealing with the question of a king. The Hungarian people are convinced that the rule of the elected Regent, Admiral Horthy, is best and will not change as long as he lives."

Great excitement prevailed in Budapest when this prediction was made public, and numerous interpellations were launched in Parliament. Count Andrassy, leader of the Legitimists, before his death on June 12, declared that it was the desire of the people that the existing régime be ended without delay.

POLAND—Along with the members of the Little Entente, Poland is one of France' allies in Middle Europe; and France would be pleased to see her act in close cooperation with the Entente, if not indeed formally join the group. Poland knows that in the last resort she must depend on France for protection against Russia. Nevertheless, she likes to appear before the world as something more than a mere satellite of France; besides, France has offended her by failing to ask her to join in the solution of the Rhine evacuation problem. The upshot is that in recent weeks the powers that be in Warsaw have been unwontedly susceptible toward influence from Rome. Furthermore, they have shown a disposition to flout the Little Entente and cultivate the State which has reason to be least friendly toward that combination, i. e., Hungary. It has been commented on widely that when, shortly after the middle of May, Foreign Minister Zaleski paid a State visit to Budapest, he chose the very moment when the Little Entente was holding its annual conference at Belgrade; and although he next visited Rumania, one of the Entente associates, his object was to promote good relations between that State and Hungary. All this does not necessarily portend any fundamental reorientation in Central Europe; it may be only a bit of by-play. But undoubtedly it has served as a fresh indication to France that Poland has a mind of her own in international matters.

Swedish Cabinet Suffers Defeat

By JOHN H. WUORINEN

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A GOVERNMENTAL crisis in Sweden was forecast by the radical Opposition press which concentrated its fire on the Minister of Finance, Dr. Nils R. Wohlin, as the supposedly weakest point in the Conservative Cabinet, headed by ex-Admiral Arvid Lindman. Since no party has a majority in the Riksdag, only a combination of two or more groups can make a change in the government possible, but the predictions of a reorganization of the Cabinet appeared in both the Liberal Left and Social-Democratic papers.

The Cabinet suffered its most serious defeat in the matter of State aid for the victims of the savings banks which failed earlier in the Spring. Whereas the government proposed to appropriate only about 5,000,000 crowns for the smaller individual depositors, the banking committee of the Riksdag, controlled by the parties of the Left, doubled the amount and proposed to indemnify practically all depositors up to a certain percentage. In the final vote the committee plan was carried by 82 votes against 52 in the First Chamber and by a rising vote in the Second Chamber, or House of Representatives.

Another attack on the Minister of Finance from the same source concerned the Swedish Agricultural Bank, in which the government invested certain funds during the deflation crisis after the World War. Being now practically State-owned, the Agricultural Bank is the special pet of the Social-Democratic forces, while the Conservatives were at one time considering its sale to a private business bank. The proposed sale, however, caused such a furor in the labor press that the ultimate government proposition was the investment of further public funds to keep it going.

Another member of the Lindman Cabinet who came under the fire of the Oppo-

sition was Lieut. Colonel Harald Malmberg, Minister of National Defense. He was sharply criticized for allowing State-owned equipment to be used in the voluntary military drill at certain schools and colleges. This attack was a part of the general agitation in Sweden for still further reduction of army expenses, partly inspired by the recent victory in Denmark for the same idea.

The close relations existing since the World War between Sweden and the new republics across the Baltic were demonstrated by the official visit to King Gustaf in Stockholm by President G. Semgals of Latvia, and the ceremonies and entertainments which marked the occasion.

Seven of the largest Swedish iron works have acquired large ore fields in Asia Minor, rich in chromium-bearing iron, which is valuable in the manufacture of rustproof steel.

Over 1,000,000 tons of iron ore were exported last month from the Swedish Lapland mines, located in the Arctic Circle. This record-breaking figure indicates that the Swedish mining industry has fully recovered from the drawn-out labor conflicts which crippled it last year and that a period of continued activity and prosperity is ahead. It also shows that the German iron and steel industry, which to the greatest extent depends upon Swedish ore, is on the upgrade. At present Sweden supplies more than 50 per cent of all the iron ore sold on the open international market.

Prince Carl, a member of the royal family, in a speech on May 10, urged the further strengthening of the "defense will" of the country, and noted with satisfaction the enrolment of women as well as men in organizations supporting this purpose.

According to the latest budget reports,

the government monopolies in tobacco and liquor will this year turn into the public treasury about \$47,240,000 in taxes and operation profits. It is also worthy of note that the Bratt system seems to be largely responsible for the substantial decrease in the consumption of alcohol which has taken place during recent years.

It was reported on May 11 that the question of abolishing passports between Sweden, Finland, Norway and Denmark was being again considered by these countries.

NORWAY—The Norwegian Parliament on May 8 decided to annex the island of Jan Mayen in the Arctic Ocean between Svalbard (Spitzbergen) and Greenland. It was discovered in 1611 by Dutch explorers, and has been mostly used as a base by Norwegian whale hunters, and for several years it has been frequented by meteorologists. The annexation was not opposed by Denmark.

Foreign capital continues its invasion of Norwegian industry. According to reports current in Norwegian newspapers, the Canadian Nickel Refining Corporation has invested heavily in the Norwegian Nickel Works at Kristiansand. The factory in that town will be modernized and expanded. The plant has already requested additional 1,500 horsepower, to be followed by 1,500 more in the near future.

The Institute of Cultural History has undertaken the writing of the history of Norwegian peasantry, which is said to hold a unique position because of its peculiar economic and cultural aspects. Whereas the peasant class has changed gradually and rather slowly in the other European countries, the Norwegian peasantry has undergone remarkable crises during the last two or three generations. The institute intends to concentrate on the economic and social features of these changes.

FINLAND—The government established, in April, 1926, a committee to investigate the question of sterilizing imbecile, insane or epileptic persons. At the same time provision was made for the drafting of a law dealing with cases of this sort. The result of these labors is a bill which will be presented to Parlia-

ment in the near future. It provides for complete sterilization, under the supervision of medical authorities, of persons who are considered unfit to become parents.

DENMARK—In the elections held in April, about 52 per cent of the voters supported the Social-Democrats and Radicals, whose programs called for drastic reduction of the defense forces. The specific character of the reduction, as stated in the bill which the new government will present when the newly chosen Parliament meets, discloses several interesting features. In the first place, all land and naval forces will be disbanded, and their place will be taken by a small, enlisted force for patrol duty only. The Ministries of War and Navy will be abolished, and the reduced land and sea forces will be placed under the Prime Minister. The commander of the land force of less than 2,000 men will no longer be a General, but a "Director." In both the land and sea branches of the service, the officers will be placed as nearly as possible on par with civilian State officials. The total tonnage of the coast guard navy, all types of craft included, will not exceed 13,500. The attitude of the government, as formulated by Premier Stauning, is that Denmark "is incapable of real self-defense, and it is our belief that it is best to recognize this fact frankly. We must be satisfied with a border and coast patrol which will have no military functions to perform. Also it is our opinion that we have good reason to give, in international relations, a good example in a question which has become the most serious burden of all peoples, and an obstacle to the furtherance of cultural advance."

In the Landsting (upper house), the government commands 36 votes, while it has to reckon with 40 representatives of the Conservative groups. However, the upper house will, in all probability, accept the government bill in view of the fact that the lower house had passed a similar proposal already in 1926. The action to be taken in the next Parliament will thus constitute the second acceptance of the bill by the lower house. In case of rejection by the Landsting, the question may be solved only in 1932, the earliest

date when the proposed reform of the upper house can take place.

LITHUANIA—The attack upon Premier Waldemaras on May 6 once more illustrated the internal disturbances in the country. Martial law has prevailed for some time, and about a week before the attempted assassination the Dictator declared that it was likely to be continued for some time to come. On the day of the shooting it was made known that the authorities had decided to dissolve the Social

Democratic party in Lithuania, and on May 7 several arrests were made among its members. While the difficulties with Poland have at least temporarily receded into the background, domestic problems thus serve to vex the Waldemaras Government. The liquidation of the plot which was discovered in April brought to light a subterranean organization aiming at the defeat of the Dictatorship which Premier Waldemaras established in 1926. Four of the group arrested on April 21 were condemned to death on May 11.

THE SOVIET UNION

Soviet Russia's International Status

By **EDGAR S. FURNISS**

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MAY DAY, for many years the chief memorial event of revolutionists everywhere, has recently become the occasion for demonstrating the strength and temper of communism throughout the world. In Russia the day is a Soviet festival ranking in importance second only to Nov. 7, the anniversary of the Bolshevik revolution, and typifying the international aspects of the Communist creed, as the November event celebrates the distinctively Russian elements. Since May Day has the official recognition and support of the Soviet Government, the enthusiasm it arouses within Russia is no fair indication of popular sentiment with regard to communism. In fact it has become a patriotic event playing upon the new-born nationalism of the people. Its demonstrations take the form of parades of the military forces of the State and its international bearings are more in the nature of a display of weapons against imaginary foreign enemies of the country than an expression of friendship for the toilers of the world.

Outside Russia, however, the May Day demonstrations give some indication from year to year of the rise and fall of the tide of radicalism within the proletarian classes of society. This year, in all

countries except Germany, the day passed with substantially less excitement than usual, thereby indicating a decline either in the numerical strength or the emotional ardor of the radical Socialist movement throughout the world. The balance was more than restored, however, by the bloody and protracted battle between the Communists and the police of Berlin. There has been a formidable growth of communism in Germany since the ruthless suppression of the Sparticide revolt in 1918 by the Social Democrats, who carried through the political revolution of that country. This Communist movement shows its strength most obviously, though not most significantly, in the sphere of party politics in terms of an increasing popular vote and an increasing number of representatives in the Reichstag. More significant as a measure of Communist power is the radical temper of the works councils in many of Germany's most important industries. These councils, established by law throughout the entire industrial structure of the country for the purpose of facilitating the settlement of disputes between employers and workmen, have been captured by the Communists with the intent of making them the skeleton of a revolutionary government along

Soviet lines. There is little doubt that the more conservative classes of Germany, including the Social Democrats, have watched this movement with increasing concern and antagonism. The rigor with which the police forces of the State attempted to suppress disorder arising from the May Day demonstrations was a reflection of this feeling of uneasiness in official circles.

These occurrences in Germany have intimate connections with the affairs of the Soviet Union. Laying aside the question whether the Communist movement of Germany is financed from Moscow, there can be no doubt that it has had the cordial support of the Soviet leaders, who have relied heavily upon it as a source of strength in future foreign relations of Russia. The Bolsheviks came into power in 1917 with a foreign policy based upon a confident expectation of world-wide revolution. At first this expectation seemed in process of fulfillment as the Communist minority seized power for a brief space of time in one after another of the unstable States of Central Europe. But it was not long before the conservative forces within these countries gained the upper hand in a decisive manner, thereby showing that the Bolshevik faith in world revolution was groundless except as a belief in a far-off future event so remote as to be of no importance in shaping present-day policy. Most of the Bolshevik leaders—the intransigent Trotsky is an exception—have resigned themselves to this conclusion with respect to the prevailing conservatism of the world at large; but there has remained alive a hope that the revolutionary forces within Germany would presently rise to dominance. A Soviet Germany within the heart of Europe would, for obvious reasons, strengthen Russia's standing in world affairs; while in the economic sphere, a friendly and cooperative spirit in Germany would facilitate the solution of many of Russia's most pressing domestic problems.

These aspects of the situation explain the reaction in the official circles of Moscow to the forcible suppression of the Communist May Day demonstrations in Berlin. Russian comment on the incident took on a tone which implied that the

welfare of the German Communists was a domestic concern of the Soviet Union. War Commissar Voroshilov launched so bitter an attack upon the German officials that it raised a storm of protest in Germany and for some days disturbed the tranquillity of diplomatic circles. A few days later, Gregory Zinoviev, former chief of the Third International, published in *Pravda* an equally aggressive condemnation of the German Government. His article, which appeared on May 7, is of especial interest, because it discloses unintentionally the extent to which Russian attitude toward other nations is still colored, despite the assertions of Soviet officials to the contrary, by the international character of the Communist party. Zinoviev openly accuses the German Government, and especially the Social Democratic party, of planning to wipe out the German Communist party by use of force and of seizing upon the artificial pretext of the May Day excitement to put this plan into effect. He explains this action by referring to the rapid expansion of Communist sentiment in Germany, which, he asserted, was destined soon to carry the party to power; and ends with an appeal to German comrades to organize for direct revolutionary activity. These sentiments were echoed and re-echoed by Soviet journals, mass meetings of students and workers and resolutions of labor organizations throughout the Soviet Union. In some of the factories, the workers voted to sacrifice a day's pay for the relief of German comrades.

The incident might be disregarded as a mere display of emotionalism but for its bearing upon the question of Russia's international status—a question of some concern to the people of our own country just now. By reason of the essential nature of her political systems, it is difficult to fit Russia into the legal categories upon which formal international relations are founded. The assumption that each State is a sovereign entity autonomous within its own territory, and that no State may interfere in the domestic concerns of another without offense is basic to modern diplomatic procedure. But the Soviet Union is a government by a single party, and the Communist party is essentially an



NOTHING DOING
—Washington Post

international entity embracing the revolutionary factions of all countries. The members of this organization whatever may be their citizenship owe common allegiance to a leadership which disregards States boundaries, and professes devotion to a single creed which overrides the claims of patriotism. A government constructed by Communists, like the government of the Soviet Union, is in principle but one branch of a larger whole whose ramifications extend throughout the world. Such a government when confronted by the necessity of entering into diplomatic relations with the territorial sovereign State of the modern world is embarrassed by its allegiance to this universal organization which creates a feeling of common citizenship between itself and certain groups within other States. Since 1922 Soviet Russia has been attempting to free herself from this embarrassment in order that she might win diplomatic recognition from other States. She has insisted that the Soviet Government and the Third International are two separate and distinct entities and that the former could undertake international obligations without interference from the latter. On this basis most of the States of the world have accorded Russia diplomatic recognition. But certain important countries, including our

own, have remained unconvinced, nor can it be said that relations once established have been altogether happy. France was impelled at one time to demand the recall of the Soviet Ambassador as *persona non grata* because of his interference in internal politics. Japan had trouble with the Soviet Union over the same question at the very beginning of diplomatic relations between the two countries; and this was the avowed reason for Great Britain's severance of relations two years ago. The May Day incident has not served to allay misgivings among conservatives of the world that Russian foreign policy is still influenced by the revolutionary program of the Communist creed.

A strange conjuncture arising from the peculiar calendar of the Greek Church caused the May Day celebration and the Russian Easter festival to fall on the same day, thus bringing into prominence the inherent conflict between communism and religion. A few days before Easter the Russian Government, apparently fearing that the recent code of law which provides for burdensome regulation of religious bodies would stir up trouble, made a pronouncement of a tone noticeably less unfriendly to the churches. This would appear to have presaged a change of policy; but the behavior of the Communist organizations on May 1 showed that their opposition to religion has remained unaltered. Easter was made the occasion for a satirization of the religious ceremony which marks this principal holy day of the Greek Orthodox Church. The Atheist League and the Communist Youth Clubs cooperated to demonstrate in the public parades and in the theatrical performances which occurred in the cities that all organized religion is an implacable enemy of working-class progress. This represents the real attitude of communism more faithfully than do the official statements of the government. Communism is itself a religion and can only be understood when viewed in that light; its antagonism toward other religions is but a modern instance of the age-old conflict of competing creeds.

As far as concerns the public activities of the Soviet Government, the month has passed without important incident. The

chief officials have been preoccupied with the annual Congress of the Russian Soviet Republic. This body, though constitutionally distinct from the government of the Soviet Union, represents the political system which is known as Russia throughout the world. The Soviet Union is a loose federation of autonomous republics covering the vast area from the frontiers of Central Europe to the shores of the Pacific, and from the Arctic Ocean to the borders of Turkey, Persia and Afghanistan. It has as a central organ a section of the Central Executive Committee of Russia, which bears much the same relationship to the constituent republics that our Senate bears to the States of the Union. In theory the Russian Soviet Republic is but one among equals in this federal system; but since it comprises two-thirds of the population of the Union and five-sixths of the territory and is the dynamic force within the Communist party, it naturally exercises an unofficial hegemony. Legal sovereignty within the Russian Soviet Republic resides in the annual Congress of Soviets. It is to this body, recently in session in Moscow, that the Constitution gives supreme legislative and administrative power.

In reality the constitutional powers of the Congress have been taken over by the executive branch of the government centering in the Council of People's Commissars. The Congress is in session for only a fortnight once a year. Its members represent neither the voting citizenry of Russia nor the membership of the Communist party—two groups which might serve as sources of authority—but the local and regional units of the Soviet structure. They are chosen by a complicated system of indirect election which gives them a very remote connection with popular will. As a result the Congress is little more than a ratifying body called together to receive a statement of policy from the executive chiefs of Russia and to register their approval or rejection. Even so its meetings are not without importance, for they put to the test the effective control of the dictators of Russia and give legal sanction to what would otherwise be a government of force and terror.

The chief significance of the Congress

this year is that it has registered the final triumph of Stalin's program, which for months past has agitated the country and caused dissension within the party. Twice within the space of thirty days this program has been submitted to the scrutiny and criticism of representative bodies. As noted in these pages last month the All-Union Communist Party Conference, a gathering of the officialdom of the party, was in session during the last half of April passing judgment upon Stalin in his capacity as party chief. The conference voted approval of the Stalin program without qualification, thus signaling his triumph over other Communist factions. The May meeting of the Congress is a test of the control of the party as a whole over the official organs of Russian government. Here, too, the verdict was favorable to the Stalin leadership. The five-year industrialization policy, the program for the socialization of agriculture and the plans for the foreign economic and political relationships of Russia were approved.

Some light was cast upon the internal politics of the Communist movement of this country by a severe rebuke administered by the Executive Committee of the Third International through the columns of *Pravda* on May 18. It appears that the American Communist party is divided into openly contending factions in violation of the first rule of Communist discipline. Moreover, neither the majority nor the minority wing of the party is true to the faith as pronounced by the Comintern. The recent congress of the party in this country was nothing but "an arena for unprincipled intrigues." The minority is tainted with the Trotsky heresy; the majority is little better, since it bases its program on the thesis that conditions in America are so exceptional that the slogans of the Kremlin—imminent revolution, increasing radicalism of labor, a crisis in capitalism—are inapplicable here. The party is ordered to remove its contending leaders from office, to reorganize its governmental structure, and to return to the true faith. The incident contributes to our knowledge both of the Communist party in its international aspects and of its peculiarly American manifestations.

Amanullah Abandons Afghan Throne

By ALBERT H. LYBYER

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THE troubled condition of Afghanistan reached a new phase during the last week of May, when former King Amanullah left the country.

During the past four or five months frequent reports of fighting on the part of Amanullah and his friends for the defeat of King Habibullah and his expulsion from Kabul, the capital, have come out of Afghanistan. The prediction was regularly made that with the coming of Spring Amanullah would succeed in defeating the usurper and recovering his power. A report on May 4 from Peshawar stated that 3,000 troops of Amanullah had fought twice as many followers of Habibullah near Lohgohr, and were losing ground. Two other forces, however, fighting near Ghazni, were reported to show victory for Amanullah. At the same time General Nadir Khan, uncle of Amanullah and formerly Minister of War, was reported to be collecting an army at Ghazni.

Amanullah, with former Queen Suriya, his brother, Inayatullah, and some followers crossed the eastern frontier at Shehman about May 22 and proceeded by train to Bombay.

In an interview the King denied that his military forces had been defeated. He claimed that in the first days of the revolt he tried none but peaceful means to persuade the rebels to accept his authority again. The trouble spread, however, to all the Northern and Eastern Provinces. Finally the tribes between Kandahar and Ghazni revolted, and he left the country in order to prevent further bloodshed. One of his suite stated that the Mohammedan religious leaders were considered entirely responsible for the struggle, having become hostile because funds were diverted from their control by the King's beneficial Westernizing measures. The usurping

King Habibullah, or Bacha Saka, "the waterboy," has only 5,000 troops in Kabul, and is not in favor with the people there. General Nadir Khan could drive him out by a determined effort. Amanullah and his Queen will go to reside permanently in Italy.

It was stated that after the departure of Amanullah, General Nadir Khan issued a proclamation in which he declared himself King. All reports indicate a general collapse of unity and order in Afghanistan, with a resumption of autonomy by most of the tribes in the country. No leader is able as yet to accumulate sufficient authority and military power to secure control of the country.

ARABIA—The total number of pilgrims to Mecca from Mohammedan countries is somewhat less this year than last, according to such estimates as can be made. In 1927 about 250,000 persons are believed to have made the pilgrimage. During the present season about 20,000 Egyptians are taking part in the pilgrimage, in spite of the fact that relations between the governments concerned are not satisfactory.

TURKEY—Statements, bearing signs of exaggeration, have been made showing that the use of the new alphabet has, at least for the time being, reduced greatly the circulation of newspapers and magazines in Turkey. Newspaper purchases were cut down perhaps 50 per cent, while periodicals suffered much more seriously, some having to suspend publication.

The Turkification of the language, like similar movements in other lands, is substituting names unknown to Westerners for various localities. Steps continue to be taken toward excluding foreigners from

various professions and businesses. Even the limited number of Armenians and Greeks who remain in European Turkey with full legal rights of citizenship are discriminated against in favor of Turkish nationals.

Turkish families of some education are adopting family names in increasing numbers, departing from the antiquated system of calling a man by his own name and his father's first name, or distinguishing him by some special circumstance, such as the place of his birth.

By a decision of the Turkish Ministry of the Interior, Turkish women are to be permitted to vote at municipal elections.

About 100 Turks, many of them connected with the press, are reported to have formed in Constantinople an association looking toward the exclusion from Turkey of all missionaries engaged in the dissemination of Christianity.

PALESTINE—The British expenditure in Palestine, over and above the revenues collected there, is at the present time only about \$300,000 per year.

During 1928 imports amounted to \$35,000,000, and exports to \$9,000,000. The former figure shows an increase of \$2,000,000 over 1927, and the latter a decrease of about the same amount. The permanent large preponderance of imports over exports reflects the upbuilding process that goes on in the country, as well as the permanent disposition of outside groups, especially Jewish individuals and organizations, to give money to Palestine regardless of financial return. The decline in exports emphasizes the unfavorable agricultural conditions of recent months. Palestinian industries show a moderate increase.

EGYPT—An agreement has been reached between the Egyptian and British Governments, with respect to the use and control of the waters of the Nile. This question constituted one of the four reserved points in the British Declaration Concerning Egypt of 1922. Numerous difficulties were involved, so that even after the coming to power of Mohammed Mahmud Pasfka, unhampered by Parliament and friendly to the British, the ne-

gotiations lasted through a number of months. The agreement provides for the completion of the heightening of the dam at Aswan, the building of a new dam at Jebel Aulia, and preliminary surveys for a dam where the Nile emerges from Albert Nyanza, with a canal through the region of the Sudd. The use of water at the Makwar Dam is also regulated.

SYRIA—Little actual rebuilding has taken place in Damascus in the area bombarded in 1925. At that time the city was twice damaged in a wedge-shaped area about two and one-half miles long and one mile wide at the large end. The orchards in the suburbs were bombarded several times. The Department of Public Works has laid out a new city plan for not only the damaged region but the whole town. Most land owners are too poor to rebuild. Some hold off because of bitterness against the French.

The country no longer suffers from fluctuation of money. The unit of currency is the Syrian pound, the value of which stands at \$1.27½. Road building continues vigorously, and the results are of high quality. Beirut shows extensive new building, with a good combination of Western and Oriental features.

IRAQ—Distinct progress is evident in the improvement of relations between Iraq and Persia. Following recognition of the former by the latter government, and the institution of regular air travel between the capitals, it is now proposed to connect Bagdad and Teheran by telegraph and telephone.

PERSIA—Revolts were reported during May in the southern regions of Persia, necessitating military action on the part of the government. Communist agitators were charged with instigating trouble, but more plausible accounts attributed the unrest to the example of tribes in Afghanistan which have been in revolt against anti-Moslem westernizing measures. As in Turkey the change from fez to hat caused resistance, so in Persia many men object to abandoning the black skull cap for the new Pahlavi hat. This is typical of resistance to many other innovations.

China's Leaders in Struggle for Power

By HAROLD S. QUIGLEY

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“WATCH FENG” has been the advice of students of China's internal commotions since the Nationalist campaign reached its goal, the capture of Peking a year ago. Marshal Feng Yu-hsiang, war lord of Honan, with control over Kansu and Shensi as well, was known as a highly ambitious combination of humanitarian and arbitrary tendencies (as described in another article on Pages 641-647 of this magazine). There was doubt that he would long accept a subordinate place in the central government. It was remembered that he had been intimately associated with the Communist International of Moscow, and such indefinite news as trickled through from his interior provincial capitals seemed to indicate that this relationship never had been severed, in spite of his reported change of heart. It was known that he was resentful at the display of Nanking officialdom and felt that too little interest was being shown toward the improvement of conditions among the laborers and peasants. Moreover, he has “betrayed” his superiors consistently for the past decade. So far, he has not betrayed the republic.

Marshal Feng was reported at the end of May to have informed the foreign legations that he was beginning a war to overthrow “the illegal and unrepresentative government at Nanking.” He was said to have warned foreign governments that his government, soon to replace that of President Chiang Kai-shek, would not recognize any debts contracted by the latter after the date of the proclamation; to have declared that the sale of war materials or airplanes to Nanking would be an unneutral act. While correspondents in China were apprehensive of serious warfare, Dr. S. Washio, Japanese writer for the *Japan*

Advertiser (American daily, Tokio), failed to take their view. He held that the situation involved simply a contest for political leadership, a bid for support from loosely attached generals, and that the “election by battle” was not likely to be bloody.

It was difficult to ascertain whether Feng was taking a voluntary initiative or was being forced to show a bold front in order to “save face.” His position in Central China is strategic, but he lacks ports and is dependent upon overland transport from Europe for his military supplies. His provinces have been and are today within the famine zone. He is unpopular with his fellow-tuchuns, regarded as an upstart who cannot be relied upon to play the game of military politics as it should be played.

Nanking's policy has been to take immediate advantage of peace and apparent co-operative sentiment among the political leaders to unify the administration of the country. Feng has objected to the subordination this involved for the regional leaders. It seems not unlikely that Chiang Kai-shek and his group believe the time opportune to force the issue as they forced it successfully at Hankow last month. If this is the fact it is an ominous one for the peace of China, as the history of the republic should have proved by now that unification by force will not work. Chiang's reported attitude of conciliation was his best claim to the Presidency. To drop the attitude and resume the methods of Yuan Shih-k'ai and other believers in a blood and iron policy of unification is to court the same disasters that they met.

Chinese police carried out raids at Harbin, Suifenho, Tsitsihar and Manchuli, Northern Manchuria, upon Soviet consulates. It was stated by the Japanese news agency, Toho, that, according to Chinese

sources, the raids had been requested by the Nanking Government, which believed that they would reveal evidences of plotting between Marshal Feng and Moscow. No documents were found. In Tokio the opinion was expressed that the raids were designed to strengthen the Chinese control over the Chinese Eastern Railway. *Asahi*, a liberal daily, was apprehensive lest a similar policy be launched toward the South Manchuria line, but Japanese official statements declared Japan's disinterest in the incidents.

The Central Executive Committee of the Kuomintang (Nationalist party), through its standing committee, on May 23 passed a resolution dismissing Feng Hu-hsiang from all offices and from the party for life and authorized a punitive mandate against him. This drastic action followed a lengthy exchange of correspondence between Feng and Chiang in which Chiang appeared anxious to patch up differences. Meanwhile, both sides were preparing to fight and there were reports of skirmishes and the destruction of sections and bridges of the Lung-Hai Railway, which crosses Central China from east to west. Train service between Peking and Hankow was interrupted. Feng was said to have accused President Chiang of abuse of power, misappropriation of government funds and "squeeze." Feng was understood to have 200,000 men, distributed along the Lung-Hai line, while the Nanking forces, numbering 250,000, were divided into two armies, one holding the southern end of the Peking-Hankow Railway, the other the southern section of the Tientsin-Pukow line. The attitudes of the Manchurian Marshal, Chang Hsueh-liang, of General Tang Seng-chi at Peking and of Governor Yen Hsi-san, Shansi, were undefined.

On May 25 the Nanking authorities issued a statement accompanied by documents purporting to be communications of the Central Political Council at Moscow to Marshal Feng. They offered support in a campaign to oust the present Nanking junta. The support was to take the form of advice from Michael Borodin and shipments of arms and other supplies. Their authenticity was denied.

At Canton the month witnessed serious efforts of the old enemies of Kuangtung,

the so-called Kuangsi clique, to regain control of the city. The latter faction was driven out of Hankow and Wuchang in April and now sought to recoup its fortunes from the wealthy burghers of Canton. There were days of great apprehension at Canton as the Kuangsi armies drew near, but help arrived from Nanking in time and the city was still in local control in early June. The principal factor in the success of the defenders was their use of airplanes to bomb the enemy lines and enemy gunboats. A British gunboat moved to Wuchow on the Kuangtung-Kuangsi border where a number of American women and children were being detained in an attempt to evacuate Kweilin, Kuangsi, under consular advice. Large amounts of specie and other valuables were moved by the Chinese to Shameen, the foreign settlement island at Canton, which was guarded by British and French troops. Two American warships were in port, the *Tulsa* and the *Guam*. United States Marines were landed on Shameen to guard the consulate. Although it was reported on May 12 that the Cantonese had bought off the Kuangsi militarists, fighting continued. General Li Chai-sum, former military dictator at Canton, a leader of the Kuangsi clique, remained in confinement near Nanking. No clear relationship could be verified between Feng Yu-hsiang and the Kuangsi clique.

Marshal Chang Tsung-chang, defeated in his attempt to establish himself in his former Province, Shantung, was denied admission to Dairen by the Japanese authorities and permitted to land in Japan. After his departure from Chefoo a small force of his men held out for fifteen days at Fushan. Besiegers and besieged then asked the good offices of Leroy Webber, American consul at Chefoo, through whom an armistice was arranged. The besieged forces were permitted to surrender, given two months' pay and incorporated in the Nationalist Army. Mr. Webber was the recipient of thanks from the Chinese citizens of Chefoo.

All Japanese troops evacuated Shantung, the first transport sailing on May 16, the last on May 20. Five hundred marines (Chinese) were landed at Tsingtao to assist the local government to main-

tain order. The city was reported as tranquil.

Further attacks upon missionaries were reported. The Rev. Harry Schwendener, missionary of the Christian and Missionary Alliance, New York, was kidnapped and a fellow-missionary, the Rev. Edgar Truax, beaten and robbed near Sungtao, Kweichow, by bandits. The American minister and American consuls requested immediate action from Nanking and Kweichow officials to obtain the captive's release. The Chinese officials were doing their utmost and Mr. Schwendener was released after three weeks without ransom having been paid. Dr. C. H. Holleman of the American Reformed Presbyterian Mission at Lungyenchow, Southern Fukien, was taken captive by soldiers proclaiming themselves anti-imperialists on May 23, ostensibly to attend to their wounded. His wife and two children and Mrs. Henry Poppen obtained Chinese clothing and escaped from the marauders, traveling four days, to Amoy, which they reached in a highly nervous condition. Miss Marie Monsen, a Norwegian missionary, was reported held by pirates at Litsehsien, near Lungkow, Shantung. It was learned that two of the brigands held to be responsible for the cold-blooded slaughter of Fathers Coveyou, Seybold and Holbein near Chenki, Hunan, had been captured by General Ho Chien, head of Hunan Province.

Fear was expressed that large areas of the famine-stricken portion of China would have to be left unaided by the American famine committee as funds from America were coming in slowly, Chinese assistance was almost negligible and banditry made entrance into certain regions perilous. The committee is now distributing relief over an area said to contain about 4,000,000 needy persons, while 18,000,000 in other areas cannot be reached. The report of Mr. F. Andrew, one of the committee's investigators, stated that cannibalism was being practiced in Kansu.

The State funeral of Dr. Sun Yat-sen took place on June 1 at Nanking. It was attended by the diplomatic corps and a vast throng which filled the roadway between the city and the magnificent new tomb on the side of Purple Mountain. The

body of Dr. Sun, the "Father of the Revolution," who died in March, 1925, was removed on May 26 from Pi Yun Ssu, a beautiful temple west of Peking, and transported with great ceremony by rail to Nanking.

JAPAN—Formal recognition of the Nanking régime as *de jure* government of China was accorded by Japan on May 30, when its Minister, Kenkichi Yoshizawa, presented new credentials to President Chiang Kai-shek. Tokio was said to be ready to raise its legation to the rank of an embassy but to be inclined to delay such action until Great Britain and the United States were ready to make the same move. Negotiations for a new treaty of friendship and commerce were to begin in a few weeks.

The multilateral or anti-war pact approached ratification by Japan. A proposal to ratify with a reservation stating that the clause "in the name of their respective peoples" did not apply to Japan failed of success when it was learned that the American Department of State opposed any reservations, but other words were inserted, making clear that this phrase did not infringe on the Emperor's treaty-making power.

Secret clauses in the agreement settling the Tsinan incident were referred to in the *Japan Weekly Chronicle* of April 18. These clauses, the government was reported as stating, simply embody the minutes in which the Chinese Government undertakes the fulfillment of the obligations laid down in the Shantung agreement of 1922, but which have not yet been carried out—a special municipal system for Tsingtao, the reconstruction of Tsingtao harbor, and the Japanese right of residence along the Shantung Railway. The *Chronicle* states that another secret clause refers to the railway providing for an increase in the number and powers of the Japanese employed on the railway, for the non-transfer of the railway's rolling-stock to other lines and for the employment of profits accruing from the railway for its improvement, and for the redemption of the principal and interest of loans secured on the railway exclusively.

Report of the Experts' Committee on Reparations

FULL TEXT

The text of the report of the experts' committee for the settlement of the reparations problem, which was signed in Paris on June 7, 1929, is as follows:

WE transmit herewith to the governments which took part in the Geneva decision and to the Reparation Commission our proposals for a complete and final settlement of the reparations problem, including the settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers; and we unanimously recommend the following plan to the governments concerned:

PART I.

APPOINTMENT, TERMS OF REFERENCE AND CONSTITUTION

This committee originated with the decision taken by the Belgian, British, French, German, Italian and Japanese Governments to entrust to independent experts the task of drawing up proposals for a complete and final settlement of the reparation problem. Twelve experts were to be chosen among the nationals of countries which participated in this decision and two among the nationals of the United States of America. Each of the experts invited was empowered to appoint an alternate.

The appointments of the invited experts as members of the committee were made according to the following procedure:

The Belgian, British, French, Italian and Japanese experts were appointed by the Reparation Commission upon the nomination of their respective governments.

The German experts were appointed by the German Government.

The experts being citizens of the United States of America were appointed by the Repa-

ration Commission conjointly with the German Government.

The mandate of the committee of experts thus formed is set forth in the following terms of reference:

"The Belgian, British, French, German, Italian and Japanese Governments, in pursuance of the decision reached at Geneva on Sept. 16, 1928, whereby it was agreed to set up a committee of independent financial experts, hereby entrust to the committee the task of drawing up proposals for a complete and final settlement of the reparation problem.

"These proposals shall include a settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers. The committee shall address its report to the governments which took part in the Geneva decision and also to the Reparation Commission."

The committee was constituted with the following membership:

Belgian experts: M. Emile Francqui, M. Camille Gutt—alternates: Baron Terlinden, M. H. Fabri.

French experts: M. Emile Moreau, M. Jean Parmentier—alternates: M. C. Moret, M. Edgar Allix.

German experts: Dr. Hjalmar Schacht, Dr. A. Voegler—alternates: Dr. C. Melchior, Dr. L. Kastl.

British experts: Sir Josiah Stamp, G. B. E.; Lord Revelstoke, G. C. V. O.—alternates: Sir Charles Addis, K. C. M. G.; Sir Basil Blackett, K. C. B., K. C. S. I.

Italian experts: Dr. Alberto Pirelli, M. Fulvio Suvich—alternates: M. Giuseppe Bianchini, M. Bruno Dolcetta.

Japanese experts: Kengo Mori, Takashi

Aoki—alternates: Saburo Sonoda, Yasumune Matsui.

American experts: Owen D. Young, J. P. Morgan—alternates: Thomas N. Perkins, T. W. Lamont.

We have to record our deep sense of regret at the death of Lord Revelstoke, which took place suddenly at an early hour on Friday, April 19. By his untimely removal from our counsels we suffered the loss of one whose unflinching tact and wisdom had gained the affection and respect of all of us and contributed greatly to our progress. In honor of his memory all meetings were suspended until Tuesday, April 23. On April 20 the Reparation Commission unanimously passed a resolution "deploring the death of Lord Revelstoke and instructing the general secretary to convey an expression of sympathy to the committee of experts on the loss of their distinguished colleague."

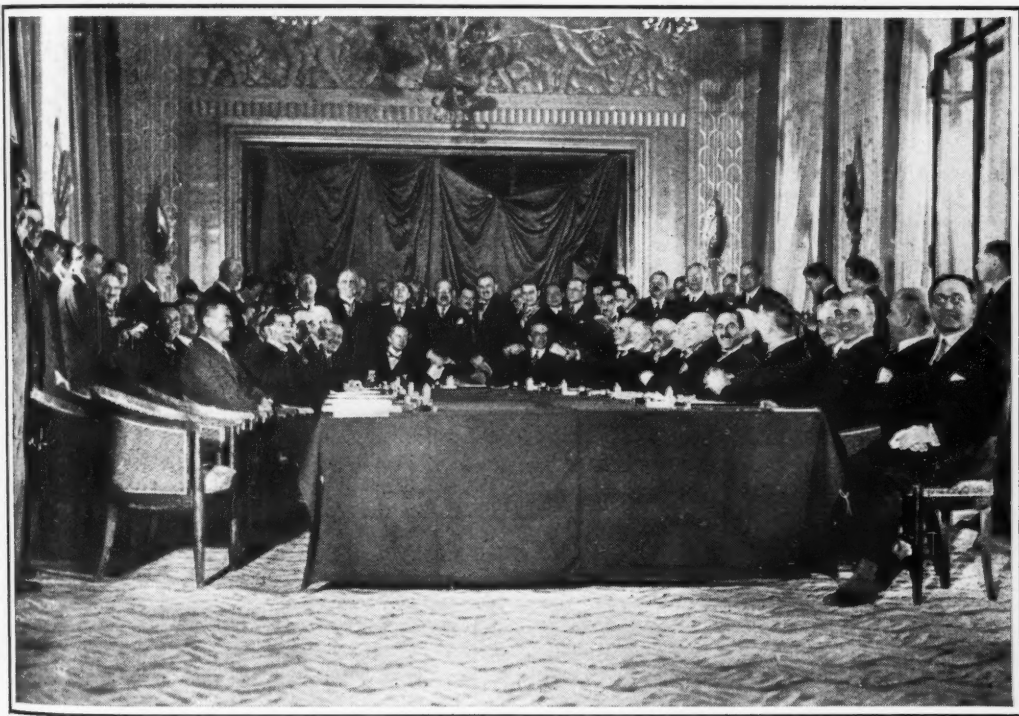
In a separate communication the Reparation Commission advised the committee that they had "unanimously appointed, on the nomination of His Britannic Majesty's Government, Sir Charles Addis, K. C. M. G., to be a member of the experts committee in succession to the late Lord Revelstoke."

On May 23 the committee were advised that the German Government had appointed Herr L. Kastl to be a member in the place of Dr. Voegler, of whose resignation the committee had learned with regret on the previous day.

PART II

MEETINGS OF THE COMMITTEE

THE experts met for the first time informally at the Bank of France on Saturday morning, Feb. 9, to fix the date of the first meeting of the committee and



Times Wide World

THE EXPERTS' COMMITTEE ON REPARATIONS

The first meeting of all the delegates to the Reparations Conference, which was held under the chairmanship of Owen D. Young, an American delegate, in the Blue Room of the Hotel George V, in Paris. On Friday, June 7, an agreement was reached after four months of deliberation, during which time the conference on two occasions threatened to end in failure as the result of radical disagreement between Germany and her creditors as to the size of the annuities. It was largely owing to the tact and persistence of Chairman Young that a successful compromise was reached.

to discuss matters of organization and procedure.

The first regular meeting of the committee was held on Monday, Feb. 11, at 2 o'clock in the afternoon, in the Hotel George V. At this meeting Mr. Owen D. Young was unanimously chosen chairman.

The committee has been in continuous session over a period of some seventeen weeks. Subcommittees were set up as required for the study of particular questions and met frequently in the intervals between the plenary sessions.

PART III

ATTITUDE OF THE COMMITTEE

THE report of the Dawes committee opened with the following words:

"We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical and not the political aspects of the problem presented to us. We have recognized, indeed, that political considerations necessarily set certain limits within which a solution must be found if it is to have any chance of acceptance. To this extent, and to this extent only, we have borne them in mind."

It is in this spirit that the present committee have addressed themselves to the task of rounding off the work of their predecessors which was advisedly left incomplete. By determining the number and amount of the annuities and providing for the conversion of the reparation debt from a political to a commercial obligation they have, to the best of their ability, tried to perform the task committed to them of devising a scheme which might fairly be accepted by all parties concerned.

Throughout our deliberations and in our present proposals we have endeavored to reach our conclusions on economic and financial grounds. But we have realized, like our predecessors, that political factors necessarily set certain limits within which a solution had to be found if our proposals were to secure acceptance. We had, therefore, to base our decisions not only on economic, but also to some extent on political considerations.

JURIDICAL QUESTIONS INVOLVED

Many important juridical questions are also involved, and while as financial experts we are not specially qualified for going into details on them, their broader aspects have been always in our minds.

Indeed, it has been clear to us that close attention to them would have made our handling of the larger questions well-nigh impossible; but the committee is satisfied that the

scheme it recommends is within its terms of reference.

The meeting of the present committee of experts marks the first occasion on which representatives of all these six nations chiefly concerned (together with American experts) have sat down together to work out on a large scale the common problems of reparations and to cooperate in exploring the various means by which Germany could be enabled to discharge her obligations.

The Dawes report made no attempt to establish the causes leading up to the situation which its provisions sought to ameliorate. In adhering to this precedent we have attempted to go further and, through the proposed creation of the machinery which we recommend to set up an institution whose direction from the start shall be cooperative and international in character; whose members shall engage themselves to banish the atmosphere of the war, to obliterate its animosities, its partisanisms, its tendentious phases; and to work together for a common end in a spirit of mutual interest and good-will.

PART IV

STUDY OF GERMANY'S ECONOMIC CONDITIONS

DURING the course of its deliberations the committee have given close consideration to the various aspects of Germany's present economic position and future potentialities, because of their material relation to her capacity to discharge obligations to foreign creditors.

The committee had among their number six members of the Dawes committee of 1924 whose contact with this aspect of the subject was obviously at that time close and responsible. Further, the committee includes several who have been associated with the practical working of the plan. These members have naturally had an unusual and continuous interest in the course of events unrolled during the past five years.

Furthermore, the periodical reports made by the Agent General and trustees and commissioners upon the working of the Dawes plan and the reports of the Reichsbank itself have given comprehensive reviews of Germany's position and development. The body of knowledge so available and the public interest and discussion it has stimulated have been of the greatest assistance to the committee.

Moreover, they have been specially assisted by the able and lucid descriptions of the present economic condition of Germany and the possibilities of German development which have been made by the German experts who were well fitted by their respective positions

in Germany to give in combination an impressive review of the subject.

Considerations put forward by them in our numerous discussions and in answer to the questions addressed to them have been a constant and powerful influence in leading us to our conclusions.

The German experts have given the committee complete information as to the demands for foreign capital made by German economy during recent years and as to the items which in their opinion counteracted this: External assets of Germany, reconstitution of the stocks and of the machinery of the country. The productivity of capital thus invested has been discussed by the committee, who have also considered the comparison between the fiscal burdens and the burdens of public debt in Germany and in other countries.

The German experts have also made statements before the committee as to the present state of German industry and agriculture, the general level of wages, the budgetary situation, the balance of payments, the financial effect of compensation to her nationals, the influence upon her trade of customs barriers abroad and the special situation of an industrial country such as Germany, which has had to reconstitute her working capital and at the same time assume the burden of heavy international obligations.

GERMANY'S RESOURCES

The German experts laid stress on the question of natural resources available to Germany, whether within her borders or not, and on Germany's capacity to pay as affected thereby.

These statements have been present in the consideration of the experts and in a large measure their conclusions have been influenced by them.

It is unnecessary for us to set out the various considerations of an economic character which have led to our conclusions on the capacity of Germany to transfer. We believe that in the scale of annuities and the conditions recommended we have given proper regard to the potentialities of all the economic conditions and financial forces normally and naturally involved.

We believe further that in arranging for a part of the annuity to carry rights of postponement and for impartial inquiry we have provided for the possibility of meeting any abnormal or special difficulty arising which might seriously affect Germany's capacity for a time, despite all that might be done by Germany's good-will and ingenuity, to meet such difficulty without having recourse to an altogether exceptional but nevertheless very valuable expedient.

As a substitute for the present system of transfer protection with its semi-political controls, its derogation from Germany's initiative and its possible reactions upon credit, we are recommending a scheme of annuities appreciably smaller than the Dawes obligations and subject to new and elastic conditions which are described at length in the succeeding chapters of the present report.

As an internal burden to be borne by annual taxation the scheme we propose is materially less; it is closely assimilated to commercial and financial obligations; it carries with it welcome freedom from interference and supervision and it is provided with adequate safeguards against any period so critical as to endanger Germany's economic life.

PART V

COURSE OF THE PROCEEDINGS

THE committee addressed themselves at the outset to the essential task before them, namely, to determine the number and amount of the annuities to be paid by Germany; but they soon found the amounts were to a considerable extent contingent upon the machinery and form of payment and, therefore, that they were not at that stage ready to reach a conclusion either as to the amount of the annuities or the number of years during which they should continue.

Moreover, if Germany were to be given a definite task to perform on her own responsibility, and if the committee were to substitute for many of the features of the Dawes plan machinery of a non-political character in the realm of general finance, it was clearly necessary to elaborate a system for handling the annuities in a way which, so far as it led to their commercialization, would remove them from the sphere of inter-governmental relations.

In the first instance some time was occupied by the committee in hearing the statements from the German experts on German economic conditions and the outlook for the future so far as they affected Germany's capacity to pay obligations in foreign currencies. It then became known that the German group felt that the ability of Germany to undertake a definite annuity obligation might vary, according to other provisions comprised in the committee's recommendations, and in particular, according to whether the annuity was entirely unconditional or whether some portion of it was payable under arrangements for postponement in the event of financial and exchange difficulties.

The idea was also put forward that if such a situation arose it was desirable for it to be immediately considered by an appropriate non-political committee acting in an advisory

capacity to the powers concerned and meeting unostentatiously without waiting to be constituted by the lengthy process of diplomatic action. It was quickly realized that since the amount of the burden which Germany could agree to accept was directly related to such concomitant conditions, these conditions must be first explored.

PROBLEM OF SMALLER ANNUITIES

At the same time the possibility of accepting smaller annuities than those fixed under the Dawes plan was admittedly dependent upon the certitude and ease with which the creditors could commercialize the obligations under non-political conditions.

The arrangements that have been in force under the Dawes scheme for liquidating a part of the annuity by means of deliveries in kind required consideration from two points of view:

(a) The substitution for the existing methods of a more elastic machinery which, as the Dawes committee recommended, should be non-political; and

(b) The gradual termination of the system at the earliest moment consistent with existing relationships and with the interests of Germany, whose economic life has been during the past few years gradually adapted to them and who would feel herself prejudiced in an economic sense by their too sudden termination.

The inquiries upon these subjects were found to be converging upon one central point, viz., the nature of the authority which should act as the chief medium for discharging the various functions under a new plan.

In the exploration of the problem of substituting authority of an external financial and non-political character for the present machinery and controls of the Dawes plan (viz., the administration of the Agent General and of the various commissioners in Berlin and those functions of the Reparation Commission which were involved), they immediately met with the necessity for a trustee to whom the payments in foreign currencies and reichsmarks should be made by Germany and by whom the distribution to the appropriate recipients should be managed.

In the second place, the problems of mobilization and commercialization demanded a common centre of action and authority for the purpose of coordinating and controlling the arrangements, and there were obvious advantages in such an authority being of a continuous or permanent character.

In the third place, the continued existence of deliveries in kind necessitated special machinery of direction and control, at any rate, for a period of years.

They had already considered the desirability

of an advisory committee which could take any necessary action in connection with the declaration of a postponement on the postponable part of the annuity. A permanent central authority might include among its functions the convening of such an advisory body, international in character and existing as a constituent part of this central authority, to consider the situation which had brought about the necessity for a postponement, or the situation which a postponement itself created.

Again, the possibility that, either exceptionally or regularly as part of the plan, obligations would be discharged in marks within Germany necessitated a financial authority to arrange for the disposition of such funds or assets in the interests of the creditors by arrangement with the Reichsbank or other German authority.

Moreover, in so far as the task of transferring the payments into foreign currencies involved, besides a restriction of imports, an extension of the German export trade, we envisaged the possibility of a financial institution that should be prepared to promote the increase of world trade by financing projects, particularly in undeveloped countries, which might otherwise not be attempted through the ordinary existing channels.

PLAN FOR INTERNATIONAL BANK

These several considerations led the committee to the elaboration of a plan for a Bank for International Settlements which should, in its various functions, meet all these points. The outline of this scheme is given in Section 6, Annex I.

It will be seen that the essential reparation functions of the bank were such as to form a solid reason for its existence; but the committee were led inevitably to add to those reasons the auxiliary, but none the less material, advantages that it might have in the general position of present international finance.

Just as it had been difficult at the outset to tabulate and discuss a precise program of annuities under a new system until such a system were agreed in outline, because the amounts were themselves dependent upon that system, so at this point in the discussions it became difficult for the various members to form definite opinions and commit themselves on all details as they were elaborated in the new system until a clearer idea of the obligations that would be undertaken by Germany under that scheme had been obtained.

Without, therefore, having resolved all points of doubt on the new system or done more than sketch it in broad outlines, they

found that the moment had arrived when discussion of figures became possible and necessary.

At this stage the following broad principles were understood to be likely to find their way into any final settlement:

(1) A division of the annuity into an unconditional and a postponable part.

(2) The necessity for continuing deliveries in kind for a few years.

(3) The arrangement of suitable conditions for the postponable part in times of exceptional difficulty.

In order to put the question into concrete terms, memoranda were tabulated by the chairman, the experts of the four chief creditor countries and the German experts. A considerable time was spent in discussing these proposals without agreement being reached.

Finally, the chairman prepared a new and independent plan in which these divergent views were brought closer together. The main feature of his plan was an average annuity of 2,050,600,000 reichsmarks; and subject to certain reserves as to the matters of detail this figure was accepted by the entire committee as the basis of further discussion and led to the unanimous recommendations now put forward.

Among those reserves is the question of the settlement of the Belgian marks claim, which the committee had continually in contemplation, and the unanimous agreement upon which is to be found in Annex VI.

PART VI

FUNCTIONS OF INTERNATIONAL BANK

GENERAL Reasons for the Constitution of an Institution With Banking Functions

—A general plan for a complete and final settlement of the reparation problem, being primarily financial in character, involves the performance of certain banking functions at one or more points in the sequence between the initial payment of the annuities and the final distribution of the funds.

A banking institution designed to meet these requirements justifies and makes logical the liquidation of all political controls and provides, instead, machinery essentially commer-

cial and financial in character which carries with it all the support and at the same time all the responsibilities that economic engagements imply.

The process of removing the reparation problem from the political to the financial sphere, which was begun in the Dawes plan, will thus be carried a step further.

In general terms, the institution will take over such functions of the existing agencies as it may be necessary to continue and will

perform the whole work of external administration, such as the receipt and distribution of payments and the commercialization of those parts of the annuities which are susceptible of being commercialized.

The operations of the institution will be assimilated to ordinary commercial and financial practice. Its organization will be outside the field of political influences, and its powers and facilities will be sufficiently broad to enable it to deal freely and promptly with the problems involved in the settlement of Germany's obligations.

The institution will be equipped with machinery which will provide an elastic element between the payments to be made by Germany and their realization.

In consequence, the creditors will have further assurance that the effect of economic changes on the flow of payments will be minimized, and Germany, on her part, will have the possibility of assistance during temporarily unfavorable conditions.

It is obviously desirable in the interest of obtaining results with the greatest efficiency not to limit unduly the functions of the institution. The character of the annuities and the magnitude of the payments to be transferred over the exchanges provide at once the opportunity and the need for supplementing with additional facilities the existing machinery for carrying on international settlements and, within limitations, of the sound use of credit to contribute to the stability of international finance and the growth of world trade. We consider that, by judicious, non-competitive financial development, the bank should prove a useful instrument for opening up new fields of commerce, of supply and of demand, and will thus help to solve Germany's special prob-



Underwood

OWEN D. YOUNG
Chairman; United States delegate

lem without encroaching on the activities of existing institutions.

In designing the plan for the bank for international settlements, which is given in outline in Annex I, we were, therefore, mindful of the fact that these new facilities should not supplant, but should augment and perfect existing arrangements for carrying through international settlements. The bank will have

(a) As its essential or obligatory functions those which are inherent in the receipt, management and distribution of the annuities, and (b) as its auxiliary or permissive functions those which evolve more indirectly from the character of the annuities.

There is no hard and fast line between the two sets of functions, because the first set leads naturally into the second.

ORGANIZATION OF THE BANK

In view of the part which the bank will have to play in the general interest, it is advisable to place the control of its management in the hands of the central banks, since these are the organizations responsible in each market for the convertibility of the national currencies and the control of credit.

At the time of the bank's constitution the capital will be geographically distributed in such a way as to associate in the bank's working and in its development all of the countries interested in the reparation settlement and all the financial markets which may subscribe to the bank's issues.

Provision is made for the utilization of the net profits of the bank, due allowance being made for the payment of cumulative dividends on the capital stock, to create suitable reserve funds.

Provision is also made in case governments or central banks make long-term deposits with the bank whereby they shall share proportionately in the remainder of the profits after the requirements on account of dividends and the reserve funds have been covered.

Inasmuch as its international basis is an essential feature which distinguishes the institution from all others, it has no single fiscal allegiance, and it is desirable that in its movements in the various national markets it should not be hampered or restricted by considerations of relative fiscal burdens, it is therefore recommended that the governments of the countries concerned enter into a convention for the avoidance of double and triple taxation of the bank along the following lines:

(a) The funds and investments of the bank to be freed from national taxation at the point where they derive interest, income and profit.

(b) All individuals and corporations receiv-

ing profit, interest or income from the bank to be fully liable thereon to such taxation as such individuals and corporations would attract if the profit, interest or income were derived from any other source.

1. **CAPITAL**—On the formation of the bank its authorized capital will be in the equivalent of \$100,000,000. The entire amount will be issued, but only 25 per cent of each share shall be called up until the board of directors decides on a further call. The allocation of shares by countries is provided for in Section 2 of Annex I. The shares will carry no voting rights; but voting rights corresponding to the number of shares first issued in each country will be exercised by the central bank of that country in the general meetings attended by representatives of those banks, taking the place of general meetings of shareholders.

2. **ADMINISTRATION**—The entire administrative control of the bank will be vested in the board of directors. The functions of a director of the bank are incompatible with those involving national political responsibilities, and the statutes of the bank will make the necessary provision in order to avoid such conflict of functions. All the directors and candidates shall be ordinarily resident in Europe or shall be in a position to give regular attendance at meetings of the board.

The governor of the central bank of each of the seven countries to which members of the present experts committee belong, or his nominee, will be entitled to be a director of the bank *ex officio*. Each of these governors may also appoint one director, being a national of his country and representative either of finance or of industry or commerce. During the period of the German annuities the Governor of the Bank of France and the President of the Reichsbank may each appoint, if they so desire, one additional director of his own nationality, being a representative of industry or commerce. These fourteen (or, as the case may be, sixteen) directors will elect not more than nine additional directors from lists furnished by and which may include the governors of central banks in other participating countries.

If, in the process of organizing the bank or in the performance of its functions after establishment, it is found that the central bank of any country or its governor is unable to act officially or unofficially in exercising the functions, authorities or privileges accorded to central banks under the plan or refrains from doing so, alternative arrangements not inconsistent with the laws of that country will be made. These alternative arrangements are outlined in Section 12 of Annex I.

3. **DISTRIBUTION OF PROFITS**—The profits shall be divided in accordance with the provisions contained in Annex I.

The foregoing outline of the functions and organization of the bank for international settlements, together with the fuller presentation of the bank plan in Annex I, largely speaks for itself. It remains, however, to point out certain advantages which the bank offers as against the existing reparation procedure and which advantages accrue both to Germany and to the creditor countries, because the bank, in putting the payments on a business basis, makes their receipt the more certain and facilitates their movement.

The new facilities introduced by the bank are in addition to the provisions given elsewhere in the plan whereby Germany is entitled to declare a postponement of transfer. They are, rather, in the nature of forestalling circumstances which might, of themselves, lead to a transfer postponement. These measures of prevention are of two general sorts:

First, the bank may employ its power of giving credit to arrange temporary assistance in transferring the annuities.

Second, the bank will be in a position, in agreement with the Reichsbank, to invest in German reichsmarks currently accruing to its account at the Reichsbank.

This measure, to the extent to which it may be utilized, will return to the German economy a portion of the annuity and, through the bank's credit mechanism, provide the foreign exchange with which to pay the current allotments to the creditors on account of the annuity.

The application of either or both of these measures is prompt and decisive and they operate in advance of the time when difficulties present themselves rather than afterward, and serve to ease any strain until such time as the discount rate and other corrective measures have had opportunity to exert themselves.

It is not to be assumed that these two measures should be reserved for emergency use. The use of the bank's credit by central banks within moderate limits and over short periods may, in time, become a normal function scarce-

ly different in its exercise from the use of central bank credit by banks and bankers.

All central banks for ordinary exchange operations or for other purposes would frequently find it advantageous to make use of the facility. The second measure, that of investing within Germany some portion of the annuity receipts, should also find its uses in normal times. Both measures are necessarily limited by the funds which the bank will have at its disposal and by the requirement that it maintains its liquidity at all times.

These are instances of the bank's utility to Germany. They also illustrate the flexibility which the bank's facilities give to the handling of the disbursements to the creditors. Further instances of joint benefit may be briefly indicated.

The bank will be able to give short term and intermediate credit to purchasers of deliveries in kind, notably for the construction of public works on delivery-in-kind account.

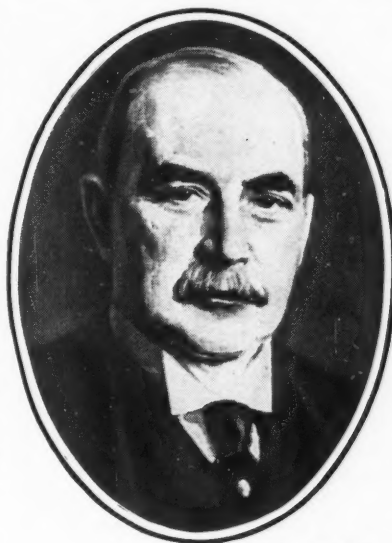
Intermediate credit operations need not be restricted, however, to any one country's goods. On the contrary, it would be desirable to broaden such operations in the interest of

world trade to the extent that the directors of the bank approve.

As a stabilizing factor in the foreign exchanges its advantages are obvious, and if, in due time, the arrangements provided for an international settlement fund are put into effective operation, the bank should go far to eliminate the costs and risks now incurred in the shipping and reshipping of gold.

The bank excludes from its procedure all political influences, and business principles and practice intervene to facilitate the settlement of Germany's obligation without in any way qualifying her independent and sole responsibility.

The Office for Reparation Payments and its associated organizations in Berlin will be retired and the Reparation Commission's relations with Germany will be terminated. Germany will assume the responsibility for raising and transferring the annuities and the bank takes over the work of their receipt and disbursement.



Times Wide World

J. PIERPONT MORGAN
United States delegate

As already stated, the bank is so designed as not to interfere with the functions performed by existing institutions, but is to create for itself supplementary functions in a special field of its own. To this end every care should be exercised in the organization and administration of the institution.

In the natural course of development it is to be expected that the bank will, in time, become an organization, not simply, or even predominantly, concerned with the handling of reparations, but also with furnishing to the world of international commerce and finance important facilities hitherto lacking.

Especially it is to be hoped that it will become an increasingly close and valuable link in the cooperation of central banking institutions generally—a cooperation essential to the continuing stability of the world's credit structure.

PART VII

FORM AND AMOUNT OF ANNUITIES.

WE are proposing a series of total annuities which should be paid with the regularity of the coupons of ordinary marketable bonds. But it is well recognized that to the economy of every country there may possibly come at some time or other a year of stress and difficulty. To make the economic scope of such a period the determinant of the maximum capacity in the ordinary course would be to fix a sum quite unacceptable to the creditors and an unreliable test of normal capacity to pay. It would be like fixing the standard of physical effort expected from a workman in his years of health and strength by what he is capable of doing in his occasional weeks of illness.

While our proposals have made full allowance for all normal and longrun considerations, it is possible that over exceptional and short periods the natural adjustment we contemplate might be insufficient. We have accepted the argument of the German experts that in undertaking a responsibility of this character, identical in its nature with the solemn covenants of a debtor on a commercial and financial basis, Germany is well advised to consider carefully what are the limits of the burden which are possible for her final acceptance. We have, therefore, fully respected their scruples as to the undertakings they are prepared unconditionally to sign and have introduced a feature which can act as a safety valve in time of difficulty, viz., a right of postponement on Germany's initiative of the transfer (and to a less degree of payment) of a portion of the annuity.

The range between the two figures (the un-

conditional portion and the total annuity) is not to be taken as evidence of doubt as to Germany's capacity of transfer (or of payment); it represents, rather, the concession that has been made to the honorable determination of the German experts not to make themselves unconditionally responsible for any obligation which they are not certain is within their power of performance in all circumstances.

It is, however, to be emphasized that the total amount of the annuity proposed, while being far from covering the claims set forth by the creditors is one which they have every reason to believe can, in fact, be both paid and transferred by Germany.

REDUCED DELIVERIES IN KIND

The fact that part of it is postponable obviates the danger of being above Germany's capacity to transfer in a period of difficulty, and it was the recognition of this principle which was one of the factors enabling the German experts to accept this scheme as an alternative not inconsistent with their original ideas.

In recommending that the system of deliveries in kind should be continued for a limited period and in decreasing amounts, we recognized, as is pointed out in Section VIII (F) of this report, the necessity for maintaining a transitional period so that all shock to existing economic conditions in Germany should be avoided. Germany's power to transfer is thus maintained unimpeded by the friction of sudden changes in trade conditions.

PART VIII

ANNUITIES UNDER NEW PLAN

THE committee recommends that:

(1) The governments shall fix the exact date of termination of the Dawes plan and the substitution therefor of the new plan.

In fixing such date the governments should bear in mind that this committee's calculations were made on the basis that the Dawes plan would cease on Aug. 31, 1929, and the new plan commence on Sept. 1, 1929.

In case the governments should fix a date later than Sept. 1, 1929, it is recommended that financial adjustments shall be made so that the basis of payments provided for under the new plan shall nevertheless commence as of Sept. 1, 1929, and the basis of payments provided for under the Dawes plan should cease as of Aug. 31, 1929.

(2) Payments under the plan of the Dawes committee should continue until the end of the present scheduled year, that is to say, Aug. 31, 1929.

(3) The new plan should go into effect Sept.

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1, 1929, with the value of the thirty-seven annuities of 1,988,000,000 reichsmarks until March 31, 1966, the payments of the Dawes loan to be added.

(4) Payments to be made under the Dawes plan during the five months' period preceding Sept. 1, 1929, after allowing for the Dawes loan, should be treated as payments necessary to cover the requirements of the creditor nations during this transition period, including outpayments for the year ending March 31, 1930.

Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus as well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the new plan, shall be settled and adjusted between the governments.

(5) In order that the new annuities shall coincide with the German fiscal years, the schedule of payments to be made by Germany on and from Sept. 1, 1929, will be as follows (in reichsmarks):

Seven months, Sept. 1, 1929-March 31, 1930.....	742,800,000
April 1, 1930-March 31, 1931.....	1,707,900,000
April 1, 1931-March 31, 1932.....	1,685,000,000
April 1, 1932-March 31, 1933.....	1,738,200,000
April 1, 1933-March 31, 1934.....	1,804,300,000
April 1, 1934-March 31, 1935.....	1,866,900,000
April 1, 1935-March 31, 1936.....	1,892,900,000
April 1, 1936-March 31, 1937.....	1,939,700,000
April 1, 1937-March 31, 1938.....	1,977,000,000
April 1, 1938-March 31, 1939.....	1,995,300,000
April 1, 1939-March 31, 1940.....	2,042,800,000
April 1, 1940-March 31, 1941.....	2,155,500,000
April 1, 1941-March 31, 1942.....	2,180,700,000
April 1, 1942-March 31, 1943.....	2,198,000,000
April 1, 1943-March 31, 1944.....	2,194,300,000
April 1, 1944-March 31, 1945.....	2,207,500,000
April 1, 1945-March 31, 1946.....	2,203,800,000
April 1, 1946-March 31, 1947.....	2,199,500,000
April 1, 1947-March 31, 1948.....	2,215,200,000
April 1, 1948-March 31, 1949.....	2,210,000,000
April 1, 1949-March 31, 1950.....	2,316,800,000
April 1, 1950-March 31, 1951.....	2,359,200,000
April 1, 1951-March 31, 1952.....	2,343,200,000
April 1, 1952-March 31, 1953.....	2,346,200,000
April 1, 1953-March 31, 1954.....	2,353,300,000
April 1, 1954-March 31, 1955.....	2,364,600,000
April 1, 1955-March 31, 1956.....	2,359,800,000
April 1, 1956-March 31, 1957.....	2,354,200,000
April 1, 1957-March 31, 1958.....	2,361,800,000
April 1, 1958-March 31, 1959.....	2,393,800,000
April 1, 1959-March 31, 1960.....	2,370,600,000
April 1, 1960-March 31, 1961.....	2,380,500,000
April 1, 1961-March 31, 1962.....	2,398,300,000
April 1, 1962-March 31, 1963.....	2,390,200,000
April 1, 1963-March 31, 1964.....	2,402,600,000
April 1, 1964-March 31, 1965.....	2,402,100,000
April 1, 1965-March 31, 1966.....	2,428,800,000

Constant annuity for thirty-seven years corresponding to 1,988,800,000 Dawes loan to be added.

There remains the following schedule of payments thereafter to be made by Germany sub-

ject to the special provisions dealing with these years:

1966-67.....	1,607,700,000
1967-68.....	1,006,900,000
1868-69.....	1,616,700,000
1969-70.....	1,630,000,000
1970-71.....	1,643,700,000
1971-72.....	1,653,900,000
1972-73.....	1,662,300,000
1973-74.....	1,665,700,000
1974-75.....	1,668,400,000
1975-76.....	1,675,000,000
1976-77.....	1,678,700,000
1977-78.....	1,685,400,000
1978-79.....	1,695,500,000
1979-80.....	1,700,400,000
1980-81.....	1,711,300,000
1981-82.....	1,687,600,000
1982-83.....	1,691,800,000
1983-84.....	1,703,300,000
1984-85.....	1,683,500,000
1985-86.....	825,100,000
1986-87.....	931,400,000
1987-88.....	897,800,000

Out of the above annuities the following amounts shall be unconditional—namely, payable without any right of postponement of any kind in foreign currencies by equal monthly instalments, viz., 660,000,000 reichsmarks per annum, to include whatever amounts are required for the service of the German external loan of 1924.

PAYMENT OF ANNUITY

The remainder of the annuity shall be payable in foreign currencies by equal monthly instalments, but subject to the conditions as regards postponement of transfer and of payment set out in Annex 4 of this plan.

The German Government undertakes for the purpose of the present provisions, as well as for the general purposes of the plan, that the reichsmark shall have and shall retain its convertibility into gold or devise as contemplated in Section 31 of the present Reichsbank law, and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of Aug. 30, 1924 (attention is called to the letter from the president of the Reichsbank given in Annex II).

For the purpose of (4) above, the outpayments for the year ending March 31, 1930, are as follows in G. M.:

France.....	338,100,000
Great Britain.....	366,600,000
Italy.....	107,800,000
Belgium.....	23,400,000
Rumania.....	8,800,000
Serbia.....	5,900,000
Greece.....	5,300,000
Portugal.....	7,200,000

Total.....863,100,000

COSTS OF OCCUPATION

Provision is made in Part 9 of Annex I

whereby a percentage of the special reserve fund accumulated in the bank shall be placed at Germany's disposal, if required, toward meeting the last twenty-two annuities payable under the above scale.

In calculating the above annuities we have taken into account the expenditures devolving upon Germany during the period of the new plan, such as were covered by the Dawes plan. However, we have not included the costs of commissions and the current expenses of occupation, as they are to continue only until a date to be fixed by the governments. The necessary arrangements for their payment should be made by the governments in connection with the adoption of the new plan.

Apart from the foregoing we recommend that as from the date of the putting into force of this plan Germany's previous obligation shall be entirely replaced by the obligation laid down in this plan, and that the payment in full of the proposed annuities in accordance with this plan should be accepted by the creditor powers as a final discharge of all the liabilities of Germany still remaining undischarged, referred to in Section 11 of Part I of the Dawes plan as interpreted by the decision already given by the interpretation tribunal set up under the London agreement of Aug. 30, 1924.

That tribunal should be retained in existence, and any dispute that may arise between Germany, on the one side, and the creditor governments, or any one of them, or the bank, on the other, as to the extent of these liabilities or as to any other question of the interpretation or application of this plan, should be referred to it for final decision.

In the course of their proceedings the experts of the principal creditor powers have also dealt with the question of the distribution of these annuities among the creditor powers. Their recommendations, drawn up after careful examination of the existing distribution arrangements and of other relevant considerations laid before them and with due regard to the rights and equities of the other countries (Greece, Portugal, Poland, Rumania, Serbia, Japan and the United States of America), having a share in the Dawes annuities, are set out in Annex VII, which they consider an inseparable part of the present report.

PART VIII (A)

COMPOSITION OF THE ANNUITIES

1. **SOURCE AND SECURITIES**—The annuities are to be derived from two sources: (1) The German Railway Company; (2) The Budget of the Reich.

The committee, after a careful examination of the proposals put forward by the German

experts, were of the opinion that the annuities recommended by them should not be drawn wholly from the German budget, but that one source of payment utilized by the Dawes plan, namely, the railway company, should be maintained. We desire to make it clear, however, that the retention of a contribution from the railway company is recommended, not only from the point of view of security, but also as a suitable method of raising the necessary revenue.

We have also considered the position with regard to the assigned revenues and, having regard to the fact that these revenues are pledged as collateral security for the service of the German external loan of 1924, we feel it is impossible to recommend the release thereof.

Nevertheless, we are of the opinion that it would be suitable for the German Government to discuss with the trustees for the bondholders of that loan the possibility of simplifying, as far as possible, the existing machinery and that the creditor governments for their part should accept a similar arrangement. The effective security of the creditor governments should be substantially that indicated in Annex III, Section 3.

Apart from these special questions the committee desires to record its view that the basis of security for the payment of the annuities is the solemn undertaking of the German Government, to which no further guarantee can add anything whatsoever.

The committee accordingly recommends that the creditor governments should take steps to release all controls, special securities, pledges or charges which may remain in their hands other than those specifically referred to above, and should recognize that their acceptance of the solemn undertaking of the German Government replaces any securities, pledges, charges or controls as may now exist.

2. **THE CONTRIBUTION FROM THE GERMAN RAILWAY COMPANY**—Under the German railway law of Aug. 30, 1924, enacted in accordance with the Dawes plan, the German Railway Company is subject to a mortgage for eleven milliard G. M. in favor of the trustee for the German railway bonds and has issued to him a bond for eleven milliard G. M. This bond bears interest at 5 per cent per annum and carries a cumulative sinking fund of 1 per cent per annum, which first became operative on Sept. 1, 1927, interest and sinking fund being guaranteed by the government of the Reich.

This plan contemplates the abolition of the railway bonds, together with the attendant circumstances of foreign participation in the management of the railway, and substitutes a contribution from the railway company as set out in the following paragraphs:

The railway company shall be under an obligation to pay for thirty-seven years a direct tax comprising, if necessary, the transport tax to an annual amount of 660,000,000 reichsmarks, being equal to the annual amount of the non-postponable annuity. This tax shall be imposed by German legislation and the receipts therefrom guaranteed by the German Government. The railway company shall deposit with the Bank of International Settlements a certificate acknowledging its liability in respect of this obligation.

The amount payable shall be raised from the gross revenues of the company ranking after the expenditure on personnel and on the same footing with expenditure on material and consumable stores. It shall enjoy priority over any other tax now levied on the railway company or which may be levied in the future and shall rank prior to any other charge by way of mortgage or otherwise on the company. It shall be paid direct by the railway company to the account of the Bank of International Settlements at the Reichsbank in instalments as laid down in Part VIII.

The foregoing conditions shall be incorporated in the law governing the railway company.

It shall be one of the duties of the organization committee proposed in Annex V of this report to make suitable provision whereby the private and independent character of the German Railway Company, including its autonomous administration in economic, financial and personnel matters, shall continue for the period of the plan without interference from the German Government.

3. THE TRANSPORT TAX—In addition to the 660,000,000 gold marks now payable directly by the railway company, the Dawes plan requires a contribution to the standard annuity of 290,000,000 gold marks out of the actual yield of the transport tax. This tax is imposed by the German Government and the German Railway Company collects it for the government. The total yield of the transport tax, now considerably in excess of 290,000,000 gold marks, appears among the receipts of the budget of the Reich and the contribution of 290,000,000 appears among its expenditures.

Under this plan the direct tax on the railway company comprises, if necessary, the transport tax, which is otherwise relieved from any special charge on account of reparations.

4. THE CHARGE ON GERMAN INDUSTRIES—Under the industrial charges law enacted in accordance with the Dawes plan, bonds aggregating 5,000,000,000 gold marks have been issued in respect of the German industries by the bank for German industrial debentures to the trustee for the German industrial debentures. These bonds bear interest at 5 per cent per annum and carry a cumulative sinking fund of 1 per cent per annum which first became operative Sept. 1, 1927, principal, interest and sinking fund being guaranteed by the Government of the Reich. The present contribution to the annuity from the industrial debentures thus amounts to 300,000,000 gold marks.

This particular charge in no way differs from ordinary taxation save in the complications it involves in legislation and the machinery of collection.

We recommend that it be discontinued and that its disappearance be taken into account in distributing the relief from taxation which this plan will enable the German Government to bring into effect.

5. THE CHARGE ON THE BUDGET OF THE REICH—Under the original experts' plan the contribution from the budget of the Reich in the fifth or current annuity year amounts to 1,250,000,000 gold marks, or one-half of the total standard annuity. This contribution is a charge on the budget as a whole, specifically secured by the assignment of the revenues from customs, beer, tobacco, sugar and alcohol to the Commissioner of Controlled Revenues. These revenues are paid by the collecting offices directly into the account of the commissioner at the Reichsbank. As early as practicable in each month out of the funds accumulated in his account, the commissioner pays into the account of the Agent General at the Reichsbank one-twelfth of the annual contribution from the budget, and thereafter in each month the revenues are automatically transferred by him to the account of the German Government at the Reichsbank. Under



Times Wide World

THOMAS W. LAMONT
United States delegate

this plan the procedure to be followed will be worked out in detail by the appropriate organization committee proposed in Annex V, regard being had so far as necessary to the arrangements which may be accepted by the trustees of the 1924 loan.

As the amount contributed by the German Railway continues for thirty-seven years at the fixed level of 660,000,000 reichsmarks a year, the charge on the budget of the Reich varies with the total amount of the annuity. In the second year it stands at the figure of 1,136,400,000 reichsmarks and rises to a maximum of 1,768,800,000 reichsmarks in the thirty-seventh year. Thereafter the contribution from the railway company ceases, the annuity falls sharply and the budget contribution covers the whole of the German liability for the remainder of the plan.

The average increase in the budgetary contribution during the first twenty years is about 24,000,000 gold marks annually, or about .24 per cent of the total revenues of the budget of the Reich, which at present are just under 10,000,000,000. This moderate and gradual increase in the budgetary contribution under the definitive settlement plan ought to be met in ordinary years without recourse to additional taxation. Indeed, the substantial reduction of the budgetary contribution as compared with the Dawes plan makes possible an immediate resumption of the tax reduction program which has been in progress since 1924. The committee hopes that such further tax reductions, coupled with a definitive reparation settlement, will give a strong stimulus to saving and thereby materially assist in the internal formation of the new capital which Germany still requires.

PART VIII (B)

INCREASE OF PAYMENTS UNTIL 1966

PROGRESSION—The authors of the Dawes plan believed that they could count upon a certain substantial and progressive increase in the prosperity of Germany arising not only from the employment of the rapidly increasing wealth of that country but also from the steady progress of world prosperity, and this belief found expression in the device of an index of prosperity. The plan contemplates that the amounts which Germany pays upon a fixed scale shall increase, generally speaking, year by year until 1966, reflecting in some small measure this anticipated increase in her prosperity. However, the annuities proposed are to start at a level which not only gives immediate and important relief to the German budget, to her exchange position and to her need for additional internal formation of capi-

tal as compared with the standard Dawes annuity of 2,500,000,000 gold marks, but also provides the greatest possible assurance that the new scheme will function from the beginning without any hitch or disturbance.

PART VIII (C)

THE NON-POSTPONABLE ANNUITIES—Not the least difficult part of the task was the determination of the figure which Germany could immediately undertake as a final and unconditional obligation. The point at which difficulties might begin to arise in making transfers into foreign currencies is not exactly definable in advance; but every care has been taken to be so far within this limit as to remove every possibility of the risk of error. We recognize that in fixing the figure payable by Germany in foreign currencies without any right of postponement whatever at 660,000,000 reichsmarks, we have taken a conservative amount. But we are satisfied that it is wiser deliberately to underestimate than to run the slightest risk of weakening German credit by proposing a figure which might not command instant acceptance by well-informed public opinion.

PART VIII (D)

THE POSTPONABLE ANNUITIES—In addition to the unconditional part of the annuity we propose a postponable part transfer of which may, in certain circumstances set out below, be postponed for a period not exceeding two years.

This postponable part of the annuity is designed to meet the situation which might arise in a period of special economic difficulty and distress. There will be other ways of meeting such a situation, and if they are applied our view is that recourse to this abnormal measure will not in fact prove to be necessary. Nevertheless, as an additional precaution, it is valuable to Germany and provides by its very existence a safeguard against the dangers which too rigid a framework might have called into existence.

PART VIII (E)

PROTECTION OF GERMANY ON TRANSFERS

MEASURES OF SAFEGUARD—The essence of the additional margin of safety given to a part of the annuities lies in the power to postpone transfer. We are recommending in order to protect Germany against the possible consequence of a comparatively short period of depression which might for internal or external reasons put such a severe strain on the exchanges as would make the process of transfer abroad dangerous, that

the German Government should have the right, giving ninety days' notice, to postpone transfers for a period not exceeding two years under conditions set out in Annex IV. During the period of postponement the liability of the German Government with regard to the sums affected would in the first instance be limited to payment in reichsmarks to the account at the Reichsbank of the Bank for International Settlements. Under certain conditions part of this payment may also be withheld.

On the declaration of any postponement the Bank for International Settlements shall convene the special advisory committee. At any other time when the German Government declares to the creditor governments and to the Bank for International Settlements that they have come to the conclusion in good faith that Germany's exchange and economic life may be seriously endangered by the transfer in part or in full of the postponable portion of the annuities, the committee shall also be convened.

Upon being convened the special advisory committee shall forthwith consider the circumstances and conditions which have led up to

the necessity for postponement or have created a situation in which Germany considers that her exchange and economic life may be seriously endangered by further transfers of the postponable portion of the annuity, and make a full investigation of Germany's position in regard to her obligations under this plan. In their report to the governments and to the bank, having (in case of a postponement of transfer) satisfied themselves that the German authorities have used every effort in their power to fulfill their obligations, they shall indicate for consideration by the governments and the bank what in their opinion are the measures that should be taken in regard to the application of the present plan.

It shall further be the duty of the bank during a postponement of transfer to direct in conjunction with the Reichsbank the employment of the reichsmarks paid to its account at the Reichsbank by the German Government. (See Section 6 of Annex I to this report.)

The following paragraphs sketch the organization of the special advisory committee of

the Bank for International Settlements referred to in the preceding paragraphs:

1. The committee should act in a purely consultative capacity. Its findings shall have no effective force unless confirmed and accepted by the bank as trustee of the creditors and, if necessary, by the governments concerned.

2. The committee shall play no part in connection with the unconditional annuity accepted by Germany and referred to in the plan as the "unconditional annuity."

3. The committee shall be convened by the bank according to the rules of its own constitution when notice shall be received from the German Government. It shall not be required to meet at any other time.

4. The committee shall consist of seven ordinary and four coopted members. The ordinary members shall be nominated one by each of the following: The governors of the Reichsbank, the Banque de France, the Bank of England, the Banque Nationale de Belgique, the Banca d'Italia, the Bank of Japan, a Federal Reserve Bank of the United States or some other agreed American financial institution.

In the last two cases, such nominee being ordinarily resident in Europe, or in a position to give prompt attendance on a meeting of the committee being called, these nominees of the governors of the banks shall not be officially connected with the banking institutions in question nor with the government departments of their respective countries. After being summoned they may, if they so desire, coopt not more than four additional members with the intent that special aspects, whether in finance, exchange, industry, &c., of the particular situation in question shall be represented. During the course of the proceedings and until the report is made the coopted members shall be equal in all other respects to the ordinary members, but they shall thereafter be discharged from office.

5. The committee may proceed by way of hearing evidence or asking for documents as it may desire, but the president of the Reichsbank, and/or any other person nominated by the German Government, may appear before or submit to the committee the reasons for



Harris & Ewing

THOMAS N. PERKINS
United States delegate

which a postponement has been declared or measures are desirable as indicated above.

The committee shall neither grant nor refuse a postponement. After making inquiry it shall report to the governments and the bank as indicated above.

6. Unless otherwise arranged by consent, the expenses of the special advisory committee shall be borne by the German Government.

PART VIII (F)

DELIVERIES IN KIND—The system of deliveries in kind under the Dawes plan has come to play an important rôle in the economic life of Germany. We would not suggest the unlimited continuation of this system, which is open to many objections of a practical as well as a theoretical nature. We have felt, however, that its immediate cessation would not be in the interests of Germany nor of the creditor powers, and that it would impose difficulties upon the export trade of Germany which might be injurious to her capacity to transfer.

We therefore recommend that the principles of the Dawes plan with reference to deliveries in kind should continue in existence for a limited period, and that the creditor nations should agree for a period of ten years to absorb by this means in respect of each year a limited and decreasing amount of the post-payable portion of the annuity substantially in accordance with the following table:

First year	750,000,000
Second year	700,000,000
Third year	650,000,000
Fourth year	600,000,000
Fifth year	550,000,000
Sixth year	500,000,000
Seventh year	450,000,000
Eighth year	400,000,000
Ninth year	350,000,000
Tenth year	300,000,000

The foregoing table is to be adapted to the actual annuities of the new plan without increasing the total.

The creditor powers, by arrangements effected among themselves, will fix the proportions in the total of each year's volume of deliveries in kind (including deliveries under reparation recovery acts or any equivalent system substituted therefor, by agreement up to 23.05 per cent for Great Britain and 4.95 per cent for France of the total amount provided for each year) which each of them will receive.

The Bank for International Settlements shall manage the disbursements on deliveries-in-kind account, and in making distributions of cash to the creditor countries shall have due regard for those portions of the annuity which are restricted to payments for deliveries in kind.

The committee also recommends that new

regulations be adopted by the government modifying the Wallenberg regulations to conform to the new plan and, so far as practicable, simplifying and liberalizing them.

The committee recommends that provision be made in the new regulations permitting the several powers to dispose of some part of their respective quotas of deliveries outside of their own territories under suitable restrictions.

The proposed repartition of the deliveries in kind among the several creditor powers is contained in Annex VII, dealing with repartition of the annuities.

PART IX

LIQUIDATION OF THE PAST

IN order to arrive as rapidly as possible at a general liquidation of the financial questions raised by the war and the subsequent treaty of peace, a liquidation which alone can insure the definite return of Europe to normal financial and economic conditions the committee recommends the clearing up of these questions in a broad spirit of mutual concession.

We understand that a settlement on these lines will render obsolete the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes plan, together with all accounts involving credits against the original capital debt. We are strongly of the opinion that these accounts should be closed at the earliest moment.

The creditor governments, under this plan will be reducing the whole body of their claims arising out of the war or under the Treaty of Versailles to a considerable extent. The experts of the creditor countries are aware that past transactions have given or may give rise to claims by Germany, some of which are still unsettled, and, while they are not able to go into the merits of these claims, they consider that the creditor governments are fully entitled to expect that Germany should waive them in consideration of the consolidation of the creditors' claims at a reduced figure. Any other course would be inconsistent with their intention that, just as the new annuities cover all the claims defined in Part XI of the Dawes plan, so they should be paid free of deduction in respect of any past transactions. The committee recognizes, however, that this is entirely a matter for the governments to deal with.

To assure the general confidence indispensable for the successful working of this plan, the committee recommends that the governments make no further use, from the date

of the acceptance of this report, of their right to seize, retain and liquidate property rights and interests of German nationals or companies controlled by them in so far as not already liquid or liquidated or finally disposed of, and that the outstanding questions concerning such properties should be definitely cleared up within one year after the coming into force of this plan by arrangements between the governments concerned and Germany.

This recommendation, naturally, has no application in cases where special settlements have already been made.

The acceptance of this plan necessarily involves the dissolution of the joint liability of Germany on the one side with Austria-Hungary and Bulgaria on the other side for reparation, and therefore finally abolishes every obligation, present or future, in either direction which may result between these powers from this joint liability.

The committee recommends, in particular, that the creditor powers should abstain from recovering the credits of Germany against her former allies referred to in Article 261 of the Treaty of Versailles, Germany for her part renouncing any net balance which might be due to her as a result of these credits.

In their unanimous desire that the remaining financial questions arising out of the war should be settled as soon as possible in order to promote the spirit of international harmony and collaboration, the experts unanimously recommend to the creditor governments that they complete the work of the experts' committee by dealing with and disposing of within the first year of operation of the new plan the claims and debts for ceded properties and liberation bonds held in the hands of the Reparation Commission against the so-called succession States. This question is referred to in Annex VII.

PART X

COMMERCIALIZATION AND MOBILIZATION

HAVING recommended the creation of the Bank for International Settlements in order to provide machinery for the removal of the reparation obligation from the

political and financial sphere, we have further considered what procedure is necessary in order to assimilate this obligation as clearly as possible to an ordinary commercial obligation ("commercialization").

Further, certain governments are known to attach particular importance to the possibility of raising money by the issue to the public of bonds representing the capitalization of the unconditional portion of the annuity ("mobilization").

It is, of course, not within our power to advise as to the time at which such issues can be made with advantage or as to the terms and conditions on which issues should be made. The arrangements to be made would, no doubt, vary according as, for example, an issue is to be made for cash in the general interest of all the creditor governments or an internal issue is to be made in one single country by way of conversion of government debt.

It will be the province of the bank itself to advise upon such matters; but we have thought it necessary to advise a framework within which these operations may take place.

The framework is given in Annex III. It provides, first, that the annuities themselves shall be represented by a German Government certificate of indebtedness deposited with the bank, similar to those in use in ordinary commercial practice (a proper distinction being made in the coupons between the conditional and unconditional portions of the annuity). The provisions regarding security are given in the annex and the conditions in which mobilizable bonds should be created and issued are defined.

One of the most important provisions of this scheme is that annuity moneys should be distributed by the bank in strict proportion to the rights of each party—whether government or bondholder.

As far as, according to the conditions of the issue, reparation loans (general or conversion loans) are subject to an anticipated redemption, Germany should be entitled to redeem these loans; the part of the annuity destined for the service of the redeemed loan will then accrue to her.

The wish has been expressed that, so far



Keystone Views

HJALMAR SCHACHT
German delegate

as possible, reparation loans will not be issued without granting the debtor an appropriate right of anticipated redemption.

We recommend that Germany should also have the right to redeem all or any part of not yet mobilized annuities on a basis of 5.25 per cent discount.

PART XI

THE NEW PLAN CONTRASTED WITH THE DAWES PLAN

THE Dawes plan, although drawn up at a time of intense crisis, has by a test lasting over nearly five years justified by facts the postulates on which it was based as regards both the restoration of the public finances of Germany and her economic recovery.

It may be well to summarize briefly the points of advantage—whether to Germany or her creditors—claimed for the new proposal which justify a departure from a scheme that has in the past rendered signal service.

The plan drawn up by the committee to afford a definite solution of the reparation question accompanies a reduction in the existing obligations of Germany by an essential modification in their financial and political status. In so far as the creditors are relinquishing substantial advantages in the face value of payments due under the present scheme, they are doing so only by reason of these improvements in intrinsic and available values which arise from the practicability and certainty of commercialization and mobilization within a reasonable period and in its attendant financial and economic psychology.

Among the modifications which are considered specially important are the following:

1. FIXATION OF THE PERIOD AND THE DEBT—The Dawes plan imposes, in virtue of the index of prosperity, increasing annuities of which the number are not fixed. The new program indicates a definite number of fixed annuities.

2. DISAPPEARANCE OF THE INDEX OF PROSPERITY—Only estimates which vary very widely of the ultimate effect of the index of prosperity can at this date be made. But in no circumstances could Germany benefit therefrom, and the disappearance of this element of uncertainty is wholly to her benefit.

3. ATTAINMENT OF FINANCIAL AUTONOMY—Under the Dawes plan Germany can only obtain the discharge of her obligations in marks by the existence of a system of transfer protection which involves a measure of external control. This brings attendant limiting effects on German credit and financial independence which render difficult, if not impossible, any mobilization of the German

debt. The new plan would be abandoning the fundamental purposes for which it was intended if it did not cancel this clause and leave to Germany the obligation of facing her engagements on her own untrammelled responsibility.

4. POSTPONEMENT SAFEGUARDS—Nevertheless, if an exceptional emergency interrupts the normal course of economic life to which the scheme is adapted, Germany can, on her own initiative, resort to certain measures of temporary relief.

The annuity is divided into two parts, of which one is subject to postponement of transfer and payment.

Germany will thus be enabled, under certain circumstances, temporarily to relieve her balance of payments and will, in fact, enjoy the advantages of a form of transfer protection without its attendant limitations.

5. DELIVERIES—While the Dawes plan reluctantly accepted the expedient of deliveries in kind, the new plan, in spite of the desire of the creditor powers to dispose freely of their shares of the annuities, recognizes the undesirability of a sudden cessation of the system at present in force. The creditors are, therefore, to take deliveries in kind for ten years, but in decreasing amounts, beginning with 750,000,000.

6. MOBILIZATION—From the point of view of the creditor powers an essential feature of the new plan which induces them to agree to reductions on their claims that leave them burdened with a considerable part of their expenditure for the damages caused by the war, is the fact that the annuity is paid in a form lending itself to mobilization.

7. FINANCIAL ORGANIZATION—The organization and machinery of the Dawes plan were based on the conviction that it must find its proper guarantee in the interest of all parties to carry it out in good faith. In aiming, as it did, at the transference of the reparation payments from the political to the economic and business sphere, it presumed constant co-operation of debtor and creditors alike.

ADVANTAGES OF THE BANK

The new system goes further along the same road, replacing the collaboration of separate administrative and governmental organization by common work in a purely financial institution in the management of which Germany is to have an appropriate part. The present administrative organizations cannot have all the elasticity necessary for banking transactions of the magnitude of the payment and transfer of the annuities; but the new bank, in close association with the banks of issue and with the banking facilities at its command, will have

all the necessary means of effecting these operations without disturbance to the German economy or to the economy of other countries.

In addition, it will be in a position to open up to trade new possibilities of development.

The operations which it is to undertake cannot be disturbed or hampered without irreparable damage to the credit of the countries concerned. This assurance should make it possible to limit the guarantees established under the present system for the protection of the rights of the creditors to the minimum required for the prompt and facile commercialization of the mobilizable part of the annuity.

8. SUMMARY—The proposed plan continues and completes the work begun by the Dawes plan, which the position alike of Germany and of the other countries made it impossible to do more than indicate in outline in 1924. By the final reduction and fixation of the German debt, by the establishment of a progressive scale of annuities and by the facilities which the new bank offers for lessening disturbance in the payment of the annuities, it sets the seal on the inclusion of the German debt in the list of international settlement under which the debtor knows the tion of payments to the creditor countries on what might have been anticipated under the continued operation of the Dawes plan, it at the same time eliminates the uncertainties which were inherent in that plan and were equally inimical to the interest of the debtor and to the creditors by substituting a definite settlement under which the debtor knows the exact extent of his obligations.

PART XII.

CONCLUSIONS—It has been our object to make proposals for financial obligations which, with the conditions and safeguards that accompany them, shall be within Germany's capacity to pay, and we believe that we have achieved this purpose.

We realize the responsibility of this declaration and we recognize how much depends on the future attitude toward one another of the peoples which, by ratification of their respec-

tive governments, are to become parties to this agreement.

For the solution of the reparation problem is not only a German task but in the common interest of all the countries concerned; and it requires the cooperation of all parties. If their attitude should be tinged with antagonism, even with suspicion or a desire to create or continue one-sided economic discriminations, a settlement perfectly feasible with good-will

would sooner or later encounter difficulties, so that the long, slow, patient task of reconstruction in Europe would be definitely retarded. For without good faith and mutual confidence all agreements, all guarantees, are unavailing.

If, on the other hand, our proposals are adopted with good-will by all concerned and the rest of the world has confidence in the constructive value of this mutual accord, then, indeed, there can be no reasonable doubt that the agreement will be capable of complete fulfillment and the nations it concerns will be brought to a higher level of economic stability and of mutual understanding than ever before.

Finally we would point out, like our predecessors on the Dawes committee, that "we regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain of our recommendations for adoption and rejecting the others, and we would desire to accept no responsibility for the results of such a procedure nor for undue delay in giving execution to our plan."

ANNEX I.

OUTLINE FOR INTERNATIONAL SETTLEMENTS

IN Section 3 of the following outline provision is made for an organization committee, which will have the duty of putting the bank project into effect. This outline has been drawn up for the benefit of the organization committee, which will have power generally to modify its provisions or to make substitutions for any or all of them, provided always that such modifications or substitutions shall not be inconsistent with the essential functions of the bank with respect to the experts' plan as a whole.



Acme

EMILE MOREAU
French delegate

1. PURPOSE, NAME AND LOCATION

—The bank organized under this plan shall be known as the "Bank for International Settlements."

The purpose of the bank is to provide additional facilities for the international movement of funds and to afford a ready instrument for promoting international financial relations. In connection with the German reparation annuities it shall perform, as trustee for the creditor countries, the entire work of external administration of this plan, shall act as the agency for the receipt and distribution of funds and shall supervise and assist in the commercialization and mobilization of certain portions of the annuities.

It shall be located in a financial centre hereafter to be designated. In selecting the country of incorporation due consideration shall be given to obtaining powers sufficiently broad to enable it to perform its functions with requisite freedom and with suitable immunities from taxation.

2. SHARE CAPITAL—The authorized capital of the bank may be expressed in the currency of the country of domicile and shall amount to the round equivalent of \$100,000,000. Upon the formation of the bank the whole authorized capital shall be issued, but only 25 per cent of each share shall be then paid in. The board of directors of the bank shall have power to call for the payment of further instalments. It shall also have the power to authorize an increase or a reduction in the total capital stock of the bank.

In each country in which the shares of the bank may be offered for sale the shares shall be issued through the central bank of that country or other agency to which the central bank offers no objection.

In the seven countries to which members of the present committee belong, issues or allocations of shares shall always be made in equal amounts. The central banks of these countries, or banking groups not objected to by them, shall guarantee the subscription of the whole of the first issue in the round equivalent of \$100,000,000. But they may agree with central banks or groups in other countries (particularly those interested in reparations) that an amount of the first issue not exceeding the round equivalent of \$4,000,000 for each and not exceeding the round equivalent of \$44,000,000 in all may be issued in other countries.

In the event of an increase in the authorized capital and a further issue of shares, the distribution among countries shall be decided by a two-thirds majority of the directors of the bank on the above principles. In particular, the percentage of the total shares issued in

the seven countries first mentioned above shall not fall below 55.

Apart from countries interested in reparations, only countries which have, at the time an offering of shares is made, a currency stabilized on a gold or gold exchange basis may participate.

The shares may be expressed in the currency of the country in which the bank is domiciled and shall state the amount of the share at the gold mint parity of the currency of the country in which they are issued. They shall be registered and continue to be registered, but may be freely negotiated. Transfers of the shares after issue shall not affect the voting power reserved to the central banks as described below.

Payments to the shareholders on account of dividends or at the liquidation of the bank shall be made in the currency of the country of domicile.

The shares shall carry no voting rights; but voting rights corresponding to the number of shares originally issued in each country shall be exercised by the central bank of that country in the general meetings of the bank (taking the place of the general meetings of shareholders), which the representatives of the participating central banks will attend.

The shares shall be entitled to participate in the profits of the bank as indicated in the section "Distribution of Profits."

DUTIES OF THE ORGANIZATION COMMITTEE

3. For the purpose of taking the preliminary steps for putting the bank project into effect a temporary committee shall be created which will be known as the "organization committee." This committee shall be appointed by the governors of the central banks of the seven countries to which members of the present committee belong. The governor of each of these seven central banks shall be entitled to designate two members of the organization committee with due regard for the necessity of including in its membership persons versed in banking, the issue of bonds and the work of the present committee of experts.

If for any reason the governor of any of these central banks shall be unable officially or unofficially to designate members of the organization committee, or refrains from doing so, the governors of the remaining central banks shall invite two fellow-nationals of the governor not participating to act as members of the committee.

The members thus selected shall have in all respects an equal vote in the work of the committee with the members otherwise chosen. The decisions of the organization committee shall be taken by a three-quarters vote.

As an essential part of its work the organization committee shall proceed with drawing up a charter for the bank which shall be consistent with the provisions of the plan and shall take such steps as may be necessary to insure its timely granting or enactment by appropriate public authorities.

The organization committee shall, until such time as the board of directors of the bank is appointed and takes office, proceed with the physical organization of the bank. It shall arrange in accordance with the procedure prescribed in Section 2 for the subscription of the capital stock and, in accordance with the procedure prescribed in Section 4, for the appointment of the board of directors.

It shall call the first meeting of the board of directors and designate the temporary chairman to preside at that meeting, pending the election of the regular chairman. It shall draw up the statutes for regulating the administration of the bank and submit them to the board of directors for consideration. These statutes shall make provision for such matters as are usual in banking organization and in particular provide for the following:

- (1) The qualifications for membership on the board of directors.
- (2) The nature and duties of the permanent committees of the board of directors, including the executive committee.
- (3) The administrative departments to be created within the bank.
- (4) The time and place of the meetings of the board of directors and of the executive committee.
- (5) The form to be used for the convocation of the general meeting as well as the conditions and the methods for exercising voting rights on the part of representatives of central banks.
- (6) The form of trust certificates which the bank shall issue to the creditor governments under the plan.
- (7) Provisions with regard to liquidation of the bank.

The organization committee shall cooperate with the general organization committees provided for in this plan.

DIRECTORATE AND MANAGEMENT OF THE BANK

4. The entire administrative control of the bank shall be vested in the board of directors, whose duty it shall be to supervise and direct the operations of the bank, and in general so to act as to carry out those purposes of the plan committed to the administration of the bank.

In particular the board of directors

- (1) Shall have the right to adopt, modify, limit or extend the statutes of the bank in such a manner as shall not be inconsistent with the provisions of the plan.

(2) Shall have the power generally to modify the provisions contained in the outline of the bank's organization or to make substitutions for any or all of them, provided always that such modifications or substitutions shall not be inconsistent with the essential functions of the bank with respect to the experts' plan as a whole and with its existing engagements.

(3) Shall appoint the chief executive officer of the bank and fix his remuneration.

(4) May appoint an executive committee and delegate such powers to it as may be provided for in the

statutes of the bank.

(5) May appoint advisory committees to deal with any questions upon which information or advice is desired.

The functions of a director are incompatible with those involving national political responsibilities. The statutes of the bank shall make the necessary provision in order to avoid such conflict of functions. All the directors shall be ordinarily resident in Europe or shall be in a position to give regular attendance at meetings of the board.

The board of directors shall be made up in the following manner:

(1) The governor (or as the case may be the chief executive officer) of the central bank of each of the seven countries to which members of the present committee belong, or his nominee, shall be a director of the bank *ex officio*. Each of these governors shall also appoint one director, being a national of his country and representative either of finance or of industry and commerce.

In case the governor of any central bank



Associated Press

JEAN PARMENTIER
French delegate

shall be unable to act either officially or unofficially according to the provisions of this paragraph, or refrains from doing so, action shall then be taken in accordance with the alternative procedure given in Section 12 of this outline.

(2) During the period of the German annuities the governor of the Bank of France and the president of the Reichsbank may each appoint, if they so desire, one additional director of his own nationality being a representative of industry or commerce.

(3) The governor of the central bank of each of the other countries participating in the share ownership of the bank, as provided in Section 2 of this outline, shall furnish a list of four candidates of his own nationality for directorships.

Two of the candidates on each list shall be representative of finance, and the other two of industry or commerce. The governors in question may themselves be included in this list. From these lists the fourteen or sixteen directors mentioned in Paragraphs 1 and 2 above shall elect not more than nine other directors.

(4) From those first appointed, four groups of five directors shall be chosen by lot. Their terms respectively shall end at the close of each of the first, second, third and fourth years from the establishment of the bank. Subject to this, the term of office of the directors shall be five years, but they may be reappointed.

(5) In case of vacancy in a position on the board of directors arising from death, resignation or other causes, the vacancy shall be filled in the same manner as prescribed for the original appointments. If a vacancy occurs before the expiration of a term, it shall be filled for the remainder of the term only.

The directors shall elect a chairman annually from among their own number. The chairman's duties shall be to preside at meetings of the board of directors. At the first meeting, until the chairman shall have been elected, a member of the board, selected for the purpose by the organization committee, shall act as chairman.

The ordinary decisions of the board, including those involving elections, shall be made by a simple majority vote. In case of an even division the chairman shall have a deciding vote. For decisions involving the adoption or amendment of statutes of the bank, the modifications or substitutions in the present project for the organization of the bank, the distribution among countries of additional issues of stock in the bank, or other matters for which the statutes of the bank make appropriate provision, a two-thirds majority shall be required. Should a member not be able to attend a

meeting of the board, it will always be open to him to empower one of his colleagues, by registered letter or by telegram, to vote for him and on his behalf.

If decisions of the board are disputed on the ground that they are inconsistent with the provisions or intent of the plan, recourse may be had to arbitration under the procedures laid down in Part VIII of the plan.

The chief executive officer of the bank shall select the officers and heads of the departments of the bank. For the latter the appointment shall be subject to the approval of the board of directors.

BANK'S RIGHT TO RECEIVE DEPOSITS

5. DEPOSITS—The bank, in carrying out its functions with respect to the facilitation of international settlements or in connection with the German annuities, shall have the right to receive deposits of a nature consistent therewith. The board of directors or, as it may decide, the executive committee shall consider applications to open deposit accounts, with authority to determine whether such applications come within the scope of the bank's functions.

Deposits shall be received in only those currencies which satisfy, in the opinion of the board of directors, the practical requirements of the gold or gold-exchange standard.

Any classification of deposits which the board of directors may set up shall include:

(1) Deposits on annuity account—These deposits the bank receives in its capacity as trustee for the creditor governments. They shall be managed according to the procedure given in Section 8 of this outline.

(2) Deposits from central banks—These may be either current account deposits or investment account deposits.

(3) Deposits on clearing account—The bank shall have the right, subject to such terms and conditions as the board of directors may set down, to accept deposits from central banks for the purpose of establishing and maintaining a fund for settling accounts among them. Such deposits may take the form of gold deliveries at the counters of the bank or of gold held for its account under earmark by any central bank participating in the fund for clearing accounts. The terms under which central banks may enter the clearing system, the rules and regulations for its operation and the rates of exchange at which gold is to be accepted as deposits in the clearing fund or to be withdrawn from it, shall be determined by the board of directors of the bank.

(4) Deposits originating in the exercise of the bank's functions in connection with the German annuities and tending to facilitate

such functions—No such account shall be opened without the assent of the central bank of the country of which the prospective depositor is a national. If the governor of the central bank in question (or his nominee) is present and voting at the time the board of directors (or the executive committee) of the bank authorizes the opening of the account, his favorable vote shall be taken as giving the required assent.

(5) Deposits constituting guarantee funds as provided in Annex VIII and relative to the mobilization of the unconditional annuity—The interest and the share in the profits which will apply to these deposits are provided for in Annex VIII and in the section on profits in this outline.

(6) Special deposit of the German Government—During the first thirty-seven years the German Government shall maintain at the bank a non-interest-bearing deposit equivalent to 50 per cent of the average deposit remaining in the annuity trust account as described in Section 8 of this outline. This German Government deposit will not exceed 100,000,000 reichsmarks.

The bank shall have the right to pay interest on deposits, but only on deposits not susceptible of withdrawal until at least one month from the time of deposit.

The rate of interest to be paid will be determined by the board of directors or, as the case may be, by the executive committee. In allowing interest on deposits the board of directors shall give due consideration to the value of the services performed for the depositor and the size of the depositor's balance.

6. LOANS, DISCOUNTS AND INVESTMENTS—The board of directors shall determine the nature of the operations to be undertaken by the bank. Such operations shall be consistent with the policies of the central banks of the countries concerned. The bank may in particular have the right (a) to deal directly with central banks, or (b) to deal through central banks which have agreed to act as its agent and correspondent, or (c) to deal with banks, bankers' corporations and individuals of any country in performing any authorized function, provided that the central bank of

that country does not enter objection. Whenever any proposed credit operation affecting any particular market comes up for decision, the favorable vote of the governor of the central bank concerned (or his nominee if the governor is not present) sitting as a member of the board of directors or the executive committee shall be taken as giving the assent of his central bank. If he declines to give his assent the proposed credit operation shall not be undertaken in his market.

FUNCTIONS OF BANK

Thus the bank may perform such functions as the following:

(1) To buy and to sell gold coin and bullion, to earmark gold for the account of central banks and to make advances to central banks on gold as security.

(2) To buy and to sell for its own account, either with or without its endorsement, bills of exchange and other short-term obligations of prime liquidity, including checks drawn or endorsed by central banks or in respect of which three obligees are responsible.

(3) To open and maintain deposit accounts with central banks.

(4) To rediscount for central banks bills taken from their portfolios, to make loans to them on the security of such bills or to make advances to them against the pledge of other securities up to such amounts and for such period as may be approved by the board of directors.

(5) To buy and to sell for its own account intermediate or long term securities (other than shares) of a character approved by the board of directors. Its holdings of such securities at any one time shall not exceed the total of its paid-in capital and reserve funds.

(6) To invest in Germany, with the assent of the Reichsbank, reichsmark funds standing to the credit of the bank at the Reichsbank which are not transferable owing to a declaration of transfer postponement.

The bank may realize upon any such investments, at its discretion, unless at the time the investment was agreed to by the Reichsbank some stipulation or arrangement affecting the possible sale was made a condition of such agreement.



P. & A.

EMILE FRANQUI
Belgian delegate

The income from any such investments and the proceeds of such investments, if sold, shall be deposited to the credit of the bank at the Reichsbank. Such funds may be held as deposits under the conditions set out in Annex VIII of the plan or be reinvested consistently with the provisions of that annex.

If, in the opinion of the board of directors of the bank, counter obligations issued against its investments in Germany as collateral can be advantageously sold on non-German markets, their net proceeds shall be distributed to the creditor countries in such proportions and under the same conditions as would have applied in the case of normal transfer.

The accounts of the creditor powers shall be charged with the reichsmark cost of the securities alienated or pledged in the course of any such transaction.

If the board of directors of the bank decides that counter-obligations cannot be sold advantageously the income and net proceeds of the investment, when finally disposed of, shall be distributed to the creditors.

The foregoing power is in addition to the general powers of the bank to make and realize upon investments for its own account at any time, subject to the provision that such investments are to be made with the assent of the central bank concerned.

(7) To issue its own obligations at long or short term, secured or unsecured, for the purpose of relending to any central bank, in each case upon the specific decision of the board of directors by a two-thirds vote.

The investment powers of the bank shall never be used in such a way as to exercise a predominant influence over business interests in any country.

The board of directors shall guide the investment undertakings of the bank accordingly and shall be entitled, if necessary, to make special regulations in this respect.

7. TRUSTEE FUNCTIONS, GENERAL PROVISIONS—The bank shall be trustee of the creditor governments in dealing with the German annuities and shall have such general powers of administration consistent with the plan as are necessary to the prompt and complete exercise of its duties in that respect. The organization committee shall draw up appropriate forms of trust agreement between the creditor governments and the bank.

The trust functions of the bank shall include the following:

(1) Receiving and disbursing to the paying agents the service on the German external loan, 1924. If arrangements can legally be made the bank shall also act in the capacity of one of the trustees for that loan.

(2) Receiving from Germany the various

certificates and obligations provided for in the plan.

The bank shall hold these certificates and obligations in safekeeping and shall issue to the creditors its trust receipts for such certificates and obligations upon the completion of the payments called for under these certificates and obligations for any one year. The respective creditor governments shall give their quittance to the bank, which, in turn, shall give its quittance to the German Government canceling and returning any coupons representing the payments made.

(3) Receiving and distributing the service of the German annuities. The specifications of this function are given in Section 8 of this outline below.

(4) Performing as regards deliveries in kind such functions as may be entrusted to it by the governments in connection with the acceptance of the new plan.

(5) Dealing with the measures of safeguard provided in the plan. Upon receiving notification from the German Government, consistently with the provisions of the plan, the bank shall convene the special advisory committee whose composition procedure and action are provided for in Section 8 (E) of the plan.

(6) Acting as trustee under trust agreements. The bank shall have the power to act as trustee under trust agreements entered into by it with the approval or on the initiative of its board of directors, which has as its purpose the issue by the bank of trust certificates or other obligations against investments in securities pledged as collateral therefor.

This power may be exercised in addition to the powers with respect to investments provided for in Section 6, above.

(7) Acting as trustee under special agreements. The bank shall be authorized to act as trustee under any special agreements among the creditor countries covering the reparation of the annuities or the guarantee of any parts of them.

In particular the bank shall have power to act as trustee under the agreement specified in Annex VIII of the plan. The bank shall be authorized to pay interest on any guarantee fund deposited with the bank in connection with any such trust and to arrange the terms on which the deposit is to be received and the fund managed, all in accordance with the plan.

(8) Acting as trustee at the request of a creditor government, the German Government or the central bank of any one of those countries. The bank shall have the right, upon the approval of the board of directors, to undertake any trust functions which any creditor government or the German Government or any of their respective central banks proposes

that it shall undertake, provided such functions are generally consistent with the purpose of the plan.

DEPOSITORY FOR REICH PAYMENTS

8. TRUSTEE FUNCTIONS—The bank as depository for the service of the German annuities.

The bank, in its capacity as trustee for the creditor governments, shall receive and distribute the funds represented in the service of the German annuities.

In fulfilling these functions the bank shall work in cooperation with the central banks of the countries concerned. The relations thus established shall be the ordinary relationships obtaining between a bank and its correspondent banks.

The procedure for conducting these operations, subject to the right of the board of directors of the bank to make modifications, provided the general purposes of the plan are observed, shall be as follows:

(1) The bank shall maintain on its books a general deposit account to be known as the annuity trust account.

(2) The German Government shall be responsible for the payment to the bank in instalments, as provided in the plan, of all sums applicable to the service of the annuity.

These payments shall be credited to the annuity trust account.

The organization committee shall make the necessary provision whereby the reichsmark payments to the account of the bank at the Reichsbank in respect to the railway contribution shall be immediately released to the German Government against equivalent payment in foreign currencies to the annuity trust account.

(3) Subject to the operation of the clauses of the plan relating to transfer postponement and except as the bank may request that payments be made in reichsmarks to the credit of its account at the Reichsbank described in Paragraph 4 below, the German Government shall make all payments on account of the annuity in foreign currencies.

Payments in foreign currencies, not on a gold or a gold exchange standard, shall be

made only with the consent of the bank.

As a matter of business practice, the bank, acting in advance of the payment dates, may notify the German Government or its agent, of the bank's preferences with respect to the currencies in which the payment may be made. In case the bank's preferences are not complied with, payment shall be made to the bank in the currencies of the seven countries whose nationals are members of the present experts'

committee, divided as nearly as may be in proportion to their respective shares in that portion of the annuity accruing to them.

(4) All reichsmark payments for credit to the annuity trust account shall be paid into an account of the bank at the Reichsbank.

The bank shall be entitled to draw upon it in making all reichsmark payments necessary for the operation of the plan, including payments for administrative expenses incurred in Germany, payments for deliveries in kind and any other disbursements on annuity account.

The bank shall also be entitled to withdraw reichsmarks from this account or to deposit reichsmarks in it in the course of conducting operations referred to in

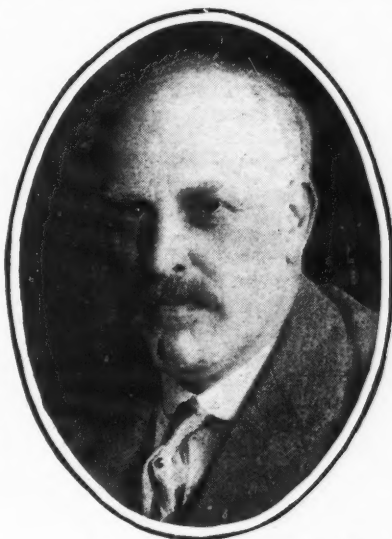
Paragraph 14 below, and it may open other accounts at the Reichsbank for use in connection therewith.

Such additional accounts shall be operated according to ordinary business principles.

The bank shall have available at all times sufficient funds in reichsmarks to cover current requirements on account of payments for deliveries in kind.

(5) The bank shall give its receipt to the German Government for all sums which it pays or causes to be paid into the annuity trust account in the course of carrying out its obligations under the plan.

The receipt of the bank shall make note of the currencies received, but credit shall be given in the reichsmark equivalent of those currencies. The German Government undertakes for the purpose of the present provision, as well as for the general purposes of the plan, that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in Section 31 of the present Reichsbank law and that for these purposes



Times Wide World

SIR JOSIAH STAMP
British delegate

the reichsmark shall have and shall retain a mint parity of 1-2790 kilogram of fine gold as defined in the German coinage law of Aug. 30, 1924.

Sums paid in foreign currencies into the annuity trust account shall be calculated in terms of reichsmarks at the average of the middle rate (*mittelkurs*) prevailing on the Berlin Boerse during the half-monthly period preceding the date of payment. (See the letter from the president of the Reichsbank given in Annex II.)

BANK'S RECEIPT FOR GERMANY'S PAYMENTS

(6) The bank's receipt giving credit in reichsmarks for payments made into the annuity trust account by the German Government, or on its behalf, shall, under normal operation of the plan, constitute a complete and sufficient discharge of the obligations of the German Government with respect to such payments.

If, however, transfer postponement should be in whole or partial effect, the bank's receipt giving credit in reichsmarks shall constitute a complete and sufficient discharge of the obligations of the German Government with respect to all payments into the annuity trust account made in foreign exchange and with respect to such portion of the payments made in reichsmarks as in the opinion of the bank provide current funds for deliveries in kind or services. As to the remainder, the receipt of the bank shall be in the nature of a temporary acknowledgement only.

(7) Withdrawals from the annuity trust account shall be made in accordance with provisions to be made by the organization committee. The bank shall pay no interest on funds deposited in the annuity trust account.

(8) All disbursements for reparation purposes shall be charged against the annuity trust account. A first charge against that account shall be the service currently due on the German external loan of 1924. The board of directors shall be entitled also to charge against the account such sums as they deem to be fair compensation for the services performed by the bank and such out-of-pocket expenses as it incurs in administering the plan. If, in the opinion of the directors, such service charges or costs cannot be equitably charged to the account as a whole, they shall be entitled to allocate them in such proportions as they see fit to the individual shares of any of the creditor countries.

(9) After charging against the annuity trust account the items referred to in the preceding paragraph and such other items as may be properly chargeable to the annuity as a whole, the bank shall proceed in the following manner with the distribution of the remainder of the

available funds to the accounts of the several creditors in accordance with the provisions of the plan:

(10) During such period of time as payments for deliveries in kind and payments under reparation recovery act and similar procedures continue to be made, the bank shall make available to the several creditor countries reichsmark credits which shall be utilized subject to the applicable provisions of the plan.

(11) The bank, out of each instalment paid into the annuity trust account, shall set aside and accumulate funds for the payment of service on any bonds issued and outstanding which represent commercialized and mobilized shares in the annuity. Funds required for this purpose shall be charged against the accounts of the creditor countries in proportion to their respective interests in the bonds for which service is being accumulated.

At a suitable time in advance of the dates fixed for the payment of interest to the bondholders the bank shall pay to the paying agents the amounts due in interest and shall make disposition according to the terms of the bond of funds required for purposes of amortization.

(12) Out of the sums remaining in currencies other than reichsmarks, and after providing for any other charges called for under the plan, the directors of the bank shall distribute such aggregate amounts as they may determine to the creditor countries divided according to the propositions agreed upon among the respective governments. In withholding any sums from distribution and in fixing the dates at which distribution is effected, the directors of the bank shall be guided on the one hand by the need for prompt action in the interest of the creditor countries and on the other by the interests of the plan as a whole, including due consideration to the bank by way of compensation for its services in managing the annuity.

(13) The bank shall make distribution of cash by crediting the accounts which the central banks of the several creditor countries maintain with it, notifying them simultaneously that such credits are for the accounts of their respective governments. The bank shall notify the proper financial authorities of the creditor countries when such credits have been made, and shall obtain receipts from them accordingly.

(14) The bank shall have the right to buy for its own account or for other trust accounts any reichsmarks held in the annuity trust account, giving foreign currencies in return. The foreign currencies thus acquired by the annuity trust account shall be available for distribution to the creditor countries under the conditions specified in the preceding paragraphs. The reichsmarks which the bank acquires

shall be used only as the plan provides.

(15) The bank at the close of each business year, or more frequently if requested, shall give to the financial authorities of each creditor country a full accounting showing the disposition of its share in the annuity. As soon as any country has received its full share in the annuity for any one year, its proper financial authority shall give to the bank his acknowledgment and shall enter the same upon the trust receipt provided for in Paragraph 2 of Section 7 of this outline. Such acknowledgment shall constitute a full and sufficient discharge to the bank with respect to the annuity covered by it.

9. AGENCY FUNCTIONS

—The bank shall be qualified, on terms to be mutually agreed upon, to act as agent and correspondent of any central bank and to appoint any central bank to act as its agent and correspondent. The services to be performed by either or both parties under such agreements shall be subject, so far as the bank's interest is concerned, to the approval of its board of directors, and may include the purchase and sale of gold, of bills of exchange and other securities, the earmarking of gold, the exchange of information and advice, and the transaction of any business consistent with the functions of the bank under the plan, on the one hand, and within the lawful functions of the central bank, on the other.

The bank shall act as agent of any creditor government in mobilizing any parts of the annuities and in managing the service of bonds issued in connection with any such mobilization. The procedure for conducting the bank's share in such operations, subject to the right of the organization committee or the board of directors of the bank to make modifications, provided the general purposes of the plan are observed, shall be as follows:

(1) Upon the request of the creditor governments or any of them, the bank shall initiate operations for marketing bonds if, after examination, it considers market conditions warrant such operations. Such operations may take place in the international markets or may be restricted to the domestic market or markets of the countries concerned in the proposed mobilization, as the board of directors may

decide. In determining the markets where offerings are to be made, the bank shall make inquiries from the central banks concerned and if any central bank offers explicit objection to an offering being made in its own market the directors shall decide accordingly.

(2) The bank shall proceed to carry out requests from any creditor government for the creation of bonds to be issued on its domestic market in connection with conversion opera-

tions up to an amount represented in its share in the annuities. Each State shall be free to offer such bonds on its own market on whatever conditions it can obtain.

(3) If, in the opinion of the bank, the time is opportune for an issue of bonds even if no request for mobilization has been received, the bank may inform the creditor governments accordingly.

(4) If the creditor governments so request, the bank shall arrange with issuing bankers the conditions upon which bonds are to be issued on the open markets, either of one or of several countries as the case may be. The bank shall fix the minimum price at which such issues shall be made and it shall supervise the

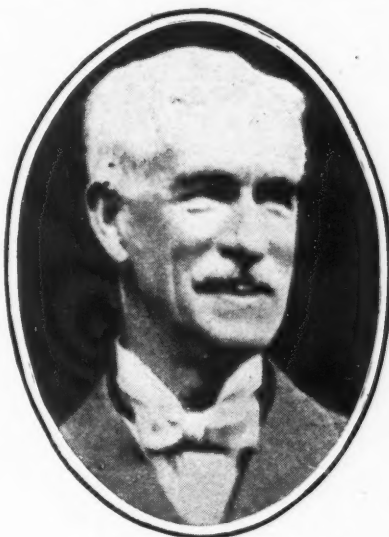
execution of the loan contracts.

(5) If bonds are issued against the annuity shares of more than one country, the proceeds shall be deposited with the bank, which shall then distribute the proceeds to the creditors according to their participation. The handling of the service of issued bonds shall be carried out as provided in the preceding section of this outline and in Annex III.

(6) Apart from the operations described above, the bank may conduct any other operations (such, for instance, as contango operations on bonds issued against the annuities, advances on coupons, &c.) as are involved in the supervision of transactions relating to these bonds and their service.

SPECIAL REGARD TO BANK'S LIQUIDITY

10. RESERVE REQUIREMENTS—The bank, since its deposits in part will be derived from central banks, shall be administered with particular regard to maintaining its liquidity. For this purpose the bank shall observe the following reserve requirements:



P. & A.

SIR CHARLES ADDIS
British Delegate.

(1) Deposits on Clearing Account—All funds held by the bank on clearing account, whether gold in vault or gold under earmark for the bank's account in central banks, shall be reserved for exclusive use in effecting settlements among the depositaries in the account.

(2) Deposits Payable on Demand—Against such deposits the bank shall hold a minimum of 40 per cent in gold or in devisen at their gold value. Devisen eligible as reserve against demand deposits shall consist of banknotes; prime bills of exchange having not more than ninety days to run of a character which central banks ordinarily buy for their own account, and cheques payable on demand, drawn or endorsed by central banks or in respect of which three obligees, including a bank of known solvency, are responsible. All devisen included in the foregoing classifications shall be denominated in currencies which satisfy, in the opinion of the Board of Directors, all the practical requirements of the gold or gold exchange standard. Gold in transit or devisen satisfying the foregoing requirements which are in process of collection may be counted as reserve.

(3) Deposits on Investment Account (Time Deposits)—Deposits payable in fifteen days or less shall be classified as demand deposits and be subject to the reserve requirements specified in the preceding paragraph. Against investment account deposits of longer maturity the bank shall hold a minimum of 25 per cent in gold or in devisen at their gold value. Devisen eligible as reserve against investment account deposits shall meet the same requirements as those eligible as reserve against demand deposits.

If the board of directors is of opinion that these reserve requirements should be altered they shall have the right by a two-thirds vote to increase, diminish or otherwise modify them consistently with sound banking principles.

11. DISTRIBUTION OF PROFITS—The yearly net profits of the bank shall be applied as follows:

(1) Five per cent of the yearly net profits shall be paid to the legal reserve fund of the bank until that fund reaches an amount equal to 10 per cent of the paid-in capital stock of the bank as it may stand from time to time. The legal reserve fund on the liquidation of the bank shall be merged with the general reserve fund.

(2) After making the foregoing provision for the legal reserve fund the yearly net profits shall be applied to the payment of an annual dividend up to 6 per cent on the paid-in share capital. This dividend shall be cumulative.

(3) Twenty per cent of the remainder shall

be paid to the shareholders until a total maximum dividend of 12 per cent is reached. The board of directors of the bank shall have the right in any year to withhold all or any part of this addition to the regular dividend and to place it to the credit of a special dividend reserve fund for use in maintaining the cumulative dividend provided for in the preceding paragraph, or for subsequent distribution to the shareholders.

RESERVE FUND OF THE BANK

(4) After making provision for the foregoing, one-half of the yearly net profits then remaining shall be paid into the general reserve fund of the bank until it equals the paid-in capital. Thereafter 40 per cent shall be so applied until the general reserve fund equals twice the paid-in capital, 30 per cent until it equals three times the paid-in capital, 20 per cent until it equals four times the paid-in capital, 10 per cent until it equals five times the paid-in capital and from that point onward 5 per cent.

The general reserve fund shall be available for meeting any losses incurred by the bank. In case it is not adequate for this purpose recourse may be had to the legal reserve fund provided for under Paragraph 1. In case the general reserve fund by reason of losses or by reason of an increase in the paid-in capital falls below the amounts provided for above after having once attained them, the appropriate proportion of the yearly net profits shall again be applied until the position is restored. Upon the liquidation of the bank the balance in the general reserve fund shall be divided among the shareholders.

(5) The remainder of the yearly net profits after meeting the foregoing requirements shall be paid into special funds as follows:

(a) Seventy-five per cent to the governments or central banks of the creditor countries or of Germany which maintain time deposits at the bank, withdrawable in not less than five years from the time of deposit and, after four years, on not less than one year's notice. The fund shall be disbursed annually in amounts proportionate to the size of the deposits maintained by the respective governments or central banks aforesaid. The directors of the bank shall have power to determine the volume of each of these deposits which would justify the distribution provided for.

(b) Twenty-five per cent to be used to aid Germany in paying the last twenty-two annuities provided the German Government elects to make a long-term deposit with the bank, withdrawable only on the terms specified under

subparagraph (a) above and amounting to the minimum sum of 400,000,000 reichsmarks. If the German Government elects to make such long-term deposit amounting to a sum below 400,000,000 reichsmarks the participation of the German Government shall be reduced in proportion and the balance shall be added to the 75 per cent in subparagraph (a). The fund shall carry compound interest at the maximum current rate paid by the bank on time deposits. If the fund should exceed the amount required

to pay the last twenty-two annuities the balance shall be distributed among the creditor governments in proportion to their outpayments during that period. In case the German Government elects not to make any such long-term deposit the fund shall be distributed as provided in subparagraph (a) above.

END OF REPARATION COMMISSION'S DUTIES

12. GENERAL PROVISIONS—Any balances remaining in the hands of the Agent General for Reparation Payments on the winding up of his account shall be transferred to the bank for credit to the annuity trust account, subject, of course, to the respective interests of the creditor countries therein and to any claims and commitments which may be outstanding at the time.

The relations of the Reparation Commission with Germany will be terminated. The bank shall take over as promptly as possible such functions of the Reparation Commission with respect to Germany as are required under the provisions of the plan and also such functions of the Agent General for Reparation Payments, the trustees and commissioners holding office under the experts' plan of 1924, or any of them, as may be required under the provisions of the plan, all according to the general scheme given in Part VI of the plan and Annex V.

If in any country there is more than one bank of issue, the terms "central bank" as used in this outline shall be interpreted to mean the bank of issue situated and operating in the principal financial market of that country.

If in the process of organizing the bank or in the performance of its functions after establishment it is found that the central bank

of any country or its governor is unable to act officially or unofficially in any or all of the capacities provided for in this outline, or refrains from so acting, alternative arrangements not inconsistent with the laws of that country shall be made.

In particular the governors of the central banks of the countries whose nationals are members of the present committee, or as many of them as are qualified to act, may invite to become members of the board of directors of

the bank two nationals of any country the central bank of which is eligible under this outline to take part in forming the board of the bank but does not do so. The two nationals of that country, upon acceptance of the invitation, shall be qualified to act in the full capacity of directors of the bank as provided in this outline.

Further, the directors of the bank shall be authorized to appoint, in lieu of any central bank not exercising any or all of the functions, authorities or privileges which this outline provides that central banks may or shall exercise, any bank or banking house of widely recognized standing and of the same nationality.

Such bank or banking house upon appointment and

acceptance shall be entitled to act in the place of the central bank in any or all capacities appropriate to central banks under this outline, provided only that such action is not inconsistent with the laws of the country in question.

The balance sheet and accounts of the bank shall be audited each year by independent auditors of recognized standing who shall be appointed by and report to the board of directors.

In case the measures proposed in the plan with respect to the avoidance of double and triple taxation of the bank are not fully in effect when the bank begins operations, the board of directors shall deal with the matter within its discretion.

If any administrative act of the bank or any decision of the board of directors is disputed on the ground that it is inconsistent with the provisions or intent of the plan, recourse may be had to arbitration under the general provisions for arbitration.



P. & A.

ALBERTO PIRELLI
Italian delegate

ANNEX II

*Letter from Dr. Schacht to Owen D. Young,
Dated June 6, 1929.*

I UNDERSTAND that certain of the creditor groups have raised the question as to the interpretation to be given to the word "reichsmarks" in which the obligations of Germany under the new plan are expressed. In my opinion the question is a purely formal one, as the reichsmark is de facto on a gold basis and has proved itself since its creation as stable a currency as any other in the world.

Nevertheless, in order that there should be no possibility of question as to the exact definition of Germany's liability, I am of opinion that the provisions of Section 31 of the bank law of 30th August, 1924, should be put into effect and I am therefor prepared to introduce the necessary resolutions with the managing board and the general council of the Reichsbank at the latest in connection with the putting into force of the present plan by the governments.

ANNEX III

MOBILIZATION OF DEBT FOR BOND ISSUE

1. FORM OF INDEBTEDNESS — Germany's debt shall be fixed in the form of annuities. A certificate of indebtedness representative of these annuities shall be delivered by Germany to the bank as trustee of the creditor powers.

To this certificate of indebtedness shall be attached coupons representative of each annuity payable by Germany. Each annuity coupon shall be divided into two parts. The first, representative of that portion of the annuity not subject to postponement and corresponding to the portion of Germany's indebtedness which is mobilizable; the second, representative of that portion of the annuity which is subject to transfer postponement and corresponding to the portion of Germany's indebtedness which is not mobilizable.

Each part of the annuity coupon enjoys equal rights throughout except with respect to the agreed privilege of postponement.

2. BOND ISSUES — Upon the request of all or of any one of the creditor governments the bank as trustee, if it considers such a course opportune, has the right to require the creation of, and the German Government is obligated to create, issuable bonds representing the capitalization of any part of the portion of the annuity coupons not subject to postponement.

The bank, however, is obliged under the provisions set forth in Paragraph 7 (D) to accede to requests for the creation of bonds made

to it by governments which are desirous of undertaking internal issues of German bonds in connection with conversion operations.

The certificate of indebtedness, the coupons attached thereto and such bonds as shall be issued in capitalization of any parts of the annuities not subject to postponement shall be made out in the name of the German Reich and shall represent the obligation of the Reich guaranteed by its general revenues.

3. COLLATERAL GUARANTEES — A—The railway company shall deposit with the Bank for International Settlements a certificate acknowledging its liability in respect of the obligations laid down in Part VIII, A of this plan.

B—The Reich, furthermore, shall undertake to assign certain revenues (customs and certain taxes on consumption) for the service of the certificates and as far as they may be exchanged into negotiable bonds for the service of such bonds. This assignment will constitute a negative pledge and will be ruled by the following conditions:

(a) The assigned revenues as estimated for the budget 1929 must have a total yield of not less than 150 per cent of the highest budgetary contribution payable by Germany under this plan.

(b) The Reich will not pledge the assigned revenues for any other loan or credit except with the consent of the bank. If the assigned revenues should be pledged with the consent of the bank for any other loan or credit, the charge for reparation payment will rank ahead of the charge for such other loan or credit.

(c) If at any time the total yield of the assigned revenues should fall below 150 per cent of the highest budgetary contribution payable by Germany under this plan, the bank may require that additional revenues sufficient to assure the immediate restoration of the yield to the above percentage be assigned.

RULES GOVERNING BOND ISSUANCE

4. GENERAL FORM OF THE BONDS — The value of the issuable bonds may, according to circumstances, be expressed in dollars equivalent to so many pounds, reichsmarks, francs, &c., or inversely in pounds, in reichsmarks, in francs &c., always provided that the principal of any bond issued in a particular market shall be payable only in the currency of that market at the equivalent of its gold value.

The coupons shall be expressed in dollars, pounds, francs, &c., and shall be payable at the rate of the day on all markets on which the bonds are quoted.

In the event of an issue, the amount and

form of bonds to be created, as well as the specification of the currency in which they shall be issued, shall be fixed by the bank in accordance with the requests which it receives from the creditor governments taking into account the desiderata of the issuing bankers.

After a period of ten years the bank, in agreement with the issuing bankers and the creditor governments, may consider the issue of bonds the service of which may be paid in different currencies at par at the bearers' option.

5. STATUS OF MOBILIZABLE PORTIONS OF ANNUITY COUPONS —

The service of interest and amortization of the mobilizable or mobilized portions of the annuity coupons shall be paid to the bank in foreign currencies by the German Reich without any reservation, if on its own responsibility; the financial service of these mobilizable portions of the annuities shall constitute a final, absolute and unconditional international obligation in the ordinary financial sense of the word.

6. STATUS OF NON-MOBILIZABLE PORTIONS OF THE ANNUITY COUPONS—

The payment of the non-mobilizable portion of the annuity coupons shall be made to the bank by the German Government in the same conditions as that of the mobilized or mobilizable portion of the annuity coupons. Nevertheless:

1. Bonds representing the non-mobilizable portion of the annuity coupons cannot be created except with the consent of the German Government.

2. It is in respect of the non-mobilizable portion of the annuity coupons that the German Government may avail itself of the right of postponing transfer or payment granted elsewhere in this plan.

7. FUNCTIONS OF THE BANK—A—SUPERVISION OF AGREEMENTS: It shall supervise both on behalf of the creditor governments and the bondholders and on behalf of the debtor government the strict execution of the agreements concluded between them on the established bases.

B—DISTRIBUTION WITHOUT PRIORITY

The bank shall distribute moneys in payment of the mobilized or mobilizable portions of the annuity coupon among the whole of

the bondholders and the creditor governments in proportion to the rights of each to share in the portion of the annuity coupons not subject to postponement without allowing a priority of any kind to any tranche or to any claim. It will distribute the moneys relating to the non-mobilizable portions of the annuity coupons amongst the creditor governments, the transfer of these moneys taking place only after the transfer of the moneys relating to the mobilized or mobilizable portion of the annuity coupon.

C—ISSUE OF BONDS ON THE MARKETS—

The bank shall inform the creditor governments whenever the issue of bonds representing the capitalization of some part of the mobilizable portion of the annuity coupon is practicable in its opinion.

It will be the function of the bank to fix the minimum price of issue.

Each of the creditor governments shall be entitled, but not obliged, to issue its share of the bonds in its own country. It may come to an understanding with the bankers of another country to cede to them all or part of this share; but these bankers shall be obliged to proceed to this issue only on

the minimum conditions fixed by the bank. Any of these governments may also refuse to allow its quota to be created; in that event the portion of the annuity corresponding to this quota shall continue to be paid to the governments in question as before.

D—ISSUE OF CONVERSION BONDS—

Creditor governments desiring to proceed to internal issues of German bonds in connection with operations for the conversion of national debt shall have the option of asking the bank to create bonds representing all or part of their quota of the mobilizable portion of the annuity coupons.

These bonds shall constitute national branches which each government shall be free to offer on its own market on whatever conditions it can obtain. These bonds shall be quoted only on their market or issue.

The service of these bonds shall, however, be effected *pari passu* with that of the other bonds. The coupons of these bonds shall be expressed in pounds, dollars, French francs, &c., and shall be payable at the rate of the



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KENGO MORI
Japanese Delegate

day on all the markets on which the mobilizable bonds are quoted.

ANNEX IV

1. POSTPONEMENT OF TRANSFER—The German Government by giving at least ninety days' previous notice shall have the right to suspend for a maximum period of two years from its due date all or part of the transfer of that part of the annuity described as postponable. Transfer postponement thus declared shall affect the postponable annuity as and from that date only on which transfer postponement becomes effective.

If during any annuity year the German Government shall avail itself of this power, the transfers falling due during any second year cannot be postponed for more than one year from their respective due dates unless and until the transfers due during the first year shall have been effected in full, in which case the transfers due during such second year may be postponed two years from their respective due dates, and the transfers due during any third year cannot be postponed at all until the transfers due during the final year have been effected in full.

2. LIABILITY—The liability of the German Government with regard to the annuities contemplated in this plan is not fulfilled until all sums the transfers or payment of which may be from time to time postponed have actually been transferred in full to the Bank of International Settlements in approved foreign currencies or utilized for deliveries in kind.

3. POSTPONEMENT OF PAYMENT—At any time when postponement of transfer is in effect, but not until one year after it has become effective the German Government shall have the right to postpone payment for one year of 50 per cent of any sum the transfer of which shall then be susceptible of postponement under Paragraph 1 of this annex. This percentage may be increased upon the recommendation of the Advisory Committee provided for in Part VIII (E) of this report.

4. UTILIZATION OF REICHSMARKS—Any sum in Reichsmarks the transfer of which is postponed shall (save as provided for in Paragraph 3 above) be deposited to the account of the Bank of International Settlements at the Reichsbank for eventual release of balances, not absorbed by deliveries in kind, against payment in foreign currencies by the German Government. At all times the employment, whether for investment or as indicated below, of reichsmarks so deposited shall be subject to agreement between the Reichsbank and the Bank of International Settlements. In determining the manner in which these sums shall be employed regard shall be

had to the possibilities that special programs of deliveries in kind can be arranged with the German Government.

(a) During the first ten years by restricting or extending the program of deliveries in kind laid down for those years.

(b) After the first ten years by arranging a special program of deliveries in kind where the interests of particular industries in Germany and of particular creditor countries which would otherwise suffer may be met without prejudice to the general situation.

Provided, however, that any special arrangement which may be made between any creditor country and Germany with a view to reserving to the said creditor the right to receive certain deliveries in kind in case of moratorium shall be carried through subject to a copy of the agreement therof being communicated to the Bank of International Settlements.

5. INTEREST—Interest at the rate of 1 per cent per annum above the prevailing Reichsbank discount rate or at $5\frac{1}{2}$ per cent, whichever is lower, shall be paid half yearly by the German Government on the daily amount of the sums the transfer or payment of which has been postponed and which have not been invested or utilized for deliveries in kind.

This interest shall be treated in all respects similarly to the principal sum upon which it accrues, and the return upon that portion of the funds actually invested shall be for the account of the creditor powers.

ANNEX V

ORGANIZATION COMMITTEES

1. JUST as the Dawes plan was put into force by the agreement of the governments concerned, laid down in the London protocol, the new plan will have to be put into force by agreements of the governments.

Once the governments have accepted in principle the new plan, it seems advisable that, in addition to any preparatory measures necessary for the conference of the governments, steps should be taken for the elaboration of detailed schemes about certain technical questions. Generally speaking, it seems advisable to have these schemes elaborated by special organization committees, which should be composed substantially in the same way as the organization committees of the Dawes plan; i. e., by the same number of representatives of the creditors as of the debtor, with a neutral chairman to be called in case of disagreement. The organization committee for the new bank would, however, be differently composed. We recommend such organization committees for the following questions:

(1) Organization committee for the new bank as provided for in Annex I of the report.

(2) Organization committee for the adoption of the German loans set up under the Dawes plan, composed of members of the subcommittees next mentioned, with one neutral chairman.

This committee should have three subcommittees, to be composed each of two creditor members nominated by the Reparation Commission and two German members nominated by the German Government.

(a) For the adaptation, in agreement with the trustees, of the system under which the securities assigned to the Dawes loan are managed and of the machinery of the assigned revenues, referred to in Annex III.

(b) Adaptation of the bank law (independence of the Reichsbank).

(c) Adaptation of the German railway law (independence of the German Railway Company).

2. After the governments have concluded a comprehensive arrangement for putting into force the new plan, it will be necessary to provide some special organization which will undertake the administrative work of setting up the organizations provided for by the new plan and of handing over to them the functions of the existing organizations.

As there is only one new organization in which are going to centralize all the various functions concerning the execution of the new plan, viz., the Bank of International Settlements, it is necessary to provide one special body only for the setting up of this organization, this body to be the organization committee for the new bank referred to above as provided for in Annex I.

The task of transferring the functions of the existing organizations to the Bank of International Settlements should be conferred upon a small special committee composed of two members of the organization committee for the Bank of International Settlements, as well as of representatives of the German Government, the Agent General and the Reparation Commission, an equitable representation being assured to the powers represented upon the present committee.

ANNEX VI

THE BELGIAN MARK CLAIM—The experts recognize that though the settlement of the so-called Belgian mark claim is not within the terms of reference of this committee, their Belgian colleagues cannot reasonably be expected, in view of the discussions which preceded the call of the committee, to join in the report except on the understanding that an agreement for the settlement of the mark claim will be reached by direct nego-

tiations between the Belgian and German Governments. The experts understand that negotiations for the purpose are about to open as between the two governments and they recognize that the new plan cannot become operative until the Belgian and German Governments have come to an internationally binding agreement on the mark claim; and in view of the German Government's undertakings as stated in the correspondence annexed (letters from Dr. Schacht of June 3, and from Dr. Kastl of June 4) they recommend to their respective governments accordingly:

If the settlement of the marks claim takes the form of an annuity and if the Belgian and German Governments so request, the experts are ready to recommend to their governments to offer no objection to the annuity taking the identical form of the annuities covered in this report and to its being administered in the same way by the Bank for International Settlements.

ANNEX VI (A)

Letter from Dr. Schacht to Owen D. Young, Dated June 3, 1929.

SUPPLEMENTING my talk with you of last Saturday on the Belgian mark matter, I have the honor to inform you that the German Government is prepared to proceed along the following lines:

(1) Immediately to enter into a *pactum de contrahendo* with the Belgian Government (either by exchange of notes or by signed protocol) whereby the two governments will agree to enter into negotiations on a new basis looking to a definite settlement of the mark controversy.

(2) To commence such negotiations promptly and to agree that these negotiations should be concluded before the new reparation plan has been put into force by the governments.

(3) The German Government has appointed Herr Ministerial Direktor Ritter as its special representative to handle the above matters and he is prepared to open discussions promptly.

The substance of the foregoing has been communicated to the Belgian Minister in Berlin, whose reply the German Government now awaits.

The foregoing proposal has been made by the German Government in a conciliatory spirit and in an effort in good faith to remove this impediment to the normal development of friendly relations between the two countries concerned.

I hope that the foregoing statements may remove any misunderstandings which exist as to the position of the German Government

with respect to the Belgian mark matter; and in view of such misunderstandings heretofore I would appreciate your advising the other members of the committee of the position of the German Government as stated herein.

'ANNEX VI (B)

*Letter from Herr Kastl to Thomas W. Lamont,
Dated June 4, 1929*

CONFIRMING my conversation of this morning with you and Mr. Perkins, I desire to make clear the following:

(1) The position of the German Government as stated in Dr. Schacht's letter to the chairman of June 3, 1929, is in no way changed.

(2) Dr. Ritter of the German Foreign Office, representative for the settlement of the mark question, has again declared to us on behalf of the German Government that:

(a) He is prepared to start negotiations immediately. He suggests that such negotiations should take place in Brussels or Berlin.

(b) No territorial questions will be raised in these negotiations.

ANNEX VI (C)

*Letter from M. Francqui to Mr. Young, Dated
June 4, 1929.*

YOU have been so good as to communicate to me the letters which were sent to you by Dr. Schacht and Dr. Kastl in the name of their governments on June 3 and 4 respectively.

In the first of these letters Dr. Schacht

stated that his government is ready to accept an engagement to negotiate with the Belgian Government upon a new basis in order to arrive at a definitive settlement of the mark question.

He adds that the German Government is willing to begin these negotiations rapidly and to agree that they should be terminated before the new reparation plan has been put into force by the governments.

In the second, Dr. Kastl declares that no territorial question will be raised in these negotiations.

You are aware of the reasons because of which the Belgian delegation up to the present has refused to sign the report before a settlement of the mark question had been realized, not desiring to find itself later in a position which it knew to be without issue, and on the other hand standing out for reparation of the serious damage which Belgium has suffered.

Considering the engagement of the German Government and considering also the recommendation which the experts unanimously decided today to address to their respective governments and which will be incorporated in the report, the Belgian experts agree to sign the report before the mark negotiations have been terminated.

I reserve the right to communicate to the German Government the different memoranda which have been exchanged during the course of the work of the experts.

ANNEX VII.

DISTRIBUTION OF THE ANNUITIES

We recommend that the annuities set out in Part VIII of this report should be distributed among the creditor powers as follows in millions of reichsmarks:

German Financial Year.	France.	British Empire.	Italy.	Bel- gium.	Ru- mania.	Ser- bia.	Greece.	Portu- gal.	Japan.	Pol- and.	U.S.A.	Total.
1929-30	A418.8	53.1	42.5	A70.7	..	72.1	..	6.0	A13.2	0.5	65.9	742.8
1930-31	900.7	366.8	156.0	98.2	10.0	79.4	3.6	13.2	13.2	0.5	66.3	1,707.9
1931-32	838.4	362.0	190.8	102.6	12.0	79.3	6.7	13.2	13.2	0.5	66.1	1,685.0
1932-33	879.8	364.5	196.3	105.9	13.0	79.4	6.9	13.2	13.2	0.5	66.1	1,730.2
1933-34	879.1	454.8	192.4	100.3	13.9	72.4	7.2	12.6	11.9	0.4	59.4	1,804.3
1934-35	941.8	450.1	193.6	102.8	14.7	72.5	7.2	12.6	11.9	0.4	59.4	1,866.9
1935-36	962.8	444.9	195.2	110.0	16.1	72.6	7.2	12.6	11.9	0.4	59.4	1,892.9
1936-37	1 004.1	438.1	197.2	116.9	17.2	73.8	8.2	12.6	11.9	0.4	59.4	1,939.7
1937-38	1,031.8	452.6	198.6	114.7	18.3	71.5	8.3	12.4	11.4	0.4	57.2	1,977.0
1938-39	1,052.4	447.1	200.2	114.8	19.1	71.8	8.5	12.4	11.4	0.4	57.2	1,995.3
1939-40	1,087.3	442.5	204.1	117.0	23.7	74.5	8.4	13.6	11.9	0.4	59.4	2,042.8
1940-41	1,179.9	457.1	211.5	117.1	20.1	76.1	8.4	13.6	11.9	0.4	59.4	2,155.5
1941-42	1,171.2	456.3	223.1	123.9	20.0	83.9	8.3	14.2	13.2	0.5	66.1	2,180.7
1942-43	1,191.4	446.0	225.5	124.1	20.6	88.2	8.3	14.2	13.2	0.5	66.1	2,190.0
1943-44	1,190.8	439.8	227.8	124.2	21.1	88.3	8.3	14.2	13.2	0.5	66.1	2,194.3
1944-45	1,190.7	450.5	230.5	123.9	21.1	88.5	8.3	14.2	13.2	0.5	66.1	2,207.5
1945-46	1,190.8	439.1	233.3	124.0	25.7	88.7	8.3	14.2	13.2	0.5	66.1	2,203.8
1946-47	1,188.1	432.4	235.6	124.1	28.4	88.7	8.3	14.2	13.2	0.5	66.1	2,199.5
1947-48	1,185.2	446.6	237.1	124.1	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2,215.2
1948-49	1,185.7	439.1	239.4	134.2	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2,210.0
1949-50	1,248.6	439.6	248.1	134.6	31.1	99.8	8.1	15.1	15.2	0.5	70.1	2,316.8
1950-51	1,277.9	440.5	260.1	134.7	31.1	99.9	8.1	15.1	15.2	0.5	70.1	2,359.2
1951-52	1,248.5	441.1	272.8	134.7	31.1	100.0	8.1	15.1	15.2	0.5	70.1	2,343.2

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German Financial Year.	France.	British Empire.	Italy.	Belgium.	Rumania.	Serbia.	Greece.	Portugal.	Japan.	Poland.	U.S.A.	Total.
1952-53	1,248.3	441.4	275.6	134.7	31.1	100.0	8.1	15.1	15.2	0.6	76.0	2,346.2
1953-54	1,248.2	445.6	278.5	134.7	31.1	100.1	8.1	15.1	15.2	0.6	76.1	2,353.3
1954-55	1,248.1	453.6	281.3	134.7	31.1	100.7	8.1	15.1	15.2	0.6	76.1	2,364.6
1955-56	1,248.2	444.2	285.4	134.7	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2,359.3
1956-57	1,248.1	434.7	289.0	134.9	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2,354.2
1957-58	1,278.6	407.3	292.6	134.0	31.1	102.2	8.1	15.1	15.2	0.6	76.1	2,361.8
1958-59	1,302.8	410.2	296.7	134.8	31.1	103.1	8.1	15.1	15.2	0.6	76.1	2,393.8
1959-60	1,278.4	408.3	299.8	134.8	31.1	103.1	8.1	15.1	15.2	0.6	76.1	2,370.6
1960-61	1,278.2	406.1	310.8	134.7	31.1	104.5	8.1	15.1	15.2	0.6	76.1	2,380.5
1961-62	1,278.2	412.9	321.5	134.5	31.1	105.9	8.1	15.1	..	0.6	76.1	2,398.3
1962-63	1,278.1	400.5	324.8	134.8	31.1	105.9	8.1	15.1	..	0.6	76.1	2,390.2
1963-64	1,278.0	410.1	327.8	134.6	31.1	106.0	8.1	15.1	..	0.6	76.1	2,402.6
1964-65	1,277.9	406.3	331.0	134.9	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2,402.1
1965-66	1,297.5	410.6	334.0	134.5	31.1	106.0	8.1	15.1	..	..	76.1	2,428.8
1966-67	794.2	357.2	290.1	53.1	31.7	22.7	9.7	8.2	..	..	40.8	1,607.7
1967-68	794.1	346.7	295.1	52.8	36.8	22.7	9.7	8.2	..	..	40.8	1,606.9
1968-69	790.9	349.4	302.3	53.0	39.8	22.7	9.7	8.2	..	..	40.8	1,616.7
1969-70	787.7	355.7	309.3	53.1	42.9	22.7	9.7	8.2	..	..	40.8	1,630.0
1970-71	787.5	361.2	317.6	53.2	42.9	22.7	9.7	8.2	..	..	40.8	1,643.7
1971-72	787.3	361.8	327.7	52.8	42.9	22.7	9.7	8.2	..	..	40.8	1,653.9
1972-73	787.1	366.1	332.0	52.8	42.9	22.7	9.7	8.2	..	..	40.8	1,662.3
1973-74	786.9	365.4	336.3	52.8	42.9	22.6	9.7	8.2	..	..	40.8	1,665.7
1974-75	786.8	364.1	340.5	52.8	42.9	22.6	9.7	8.2	..	..	40.8	1,668.4
1975-76	786.6	366.4	344.6	53.2	42.9	22.6	9.7	8.2	..	..	40.8	1,675.0
1976-77	786.3	363.8	350.8	53.5	42.9	22.6	9.7	8.2	..	..	40.8	1,678.7
1977-78	786.1	364.8	356.9	53.3	42.9	22.6	9.7	8.2	..	..	40.8	1,685.4
1978-79	785.9	365.1	367.1	53.2	42.9	22.6	9.7	8.2	..	..	40.8	1,695.5
1979-80	785.7	364.7	372.9	52.9	42.9	22.6	9.7	8.2	..	..	40.8	1,700.4
1980-81	785.5	363.5	385.1	53.1	42.9	22.6	9.7	8.2	..	..	40.8	1,711.3
1981-82	785.2	365.7	400.1	53.3	42.9	22.6	9.7	8.2	..	..	..	1,687.6
1982-83	785.0	362.9	407.2	53.4	42.9	22.6	9.7	8.2	..	..	..	1,691.8
1983-84	784.7	372.0	409.8	53.4	42.9	22.6	9.7	8.2	..	..	..	1,703.3
1984-85	784.4	346.2	416.5	53.0	42.9	22.6	9.7	8.2	..	..	..	1,683.5
1985-86	784.1	X414.1	418.8	53.0	42.9	22.6	9.7	8.2	..	..	..	925.1
1986-87	783.9	X414.1	425.0	53.3	42.9	22.6	9.7	8.2	..	..	..	931.4
1987-88	753.3	X372.1	382.6	50.6	42.9	22.6	9.7	8.2	..	..	..	897.8

AVERAGE PAYMENTS FOR PERIOD 1920 TO 1965

1929-65	1,046.5	409.0	213.7	115.5	20.1	84.0	7.0	13.2	15.2	0.5	66.1	1,988.8
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(A) The year 1929-30 comprises only the seven months from September, 1929, to March, 1930.

(X) These sums correspond to the excess war debt receipts of Great Britain over war debt payments during those three years.

2. We recommend that out of the unconditional annuity of 660,000,000 reichsmarks the amount of 500,000,000 reichsmarks should be allocated to France, subject to the provision of a guarantee fund by the French Government in accordance with the arrangements set out in Annex VIII, so far as concerns the balance of the unconditional annuity and the amounts

by which it is increased as the requirements for the service of the Dawes loan become less and cease.

Italy will have no claim until so much of the balance as may be required for an equitable apportionment shall have been allotted by agreement of all the governments to the remaining powers entitled to share in the annuities provided for by this plan.

SCHEDULES OF DELIVERIES IN KIND

3. The schedule of deliveries in kind set out in Part VIII (F) shall be allocated among the creditor governments as follows (in millions of marks):

	France.	Britain.	Italy.	Belgium.	Japan.	Serbia.	Portugal.	Rumania.	Greece.	Total.
	54.45	23.05	10	4.5	0.75	5	0.75	1.10	0.40	..
Years.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	Per Ct.	..
First	408.4	172.9	75.0	33.7	5.6	37.5	5.6	8.3	3.0	..
Second	381.2	161.4	70.0	31.5	5.2	35.0	5.2	7.7	2.8	700
Third	353.9	149.8	65.0	29.2	4.9	32.5	4.9	7.2	2.6	650
Fourth	326.7	138.3	60.0	27.0	4.5	30.0	4.5	6.6	2.4	600
Fifth	299.5	126.8	55.0	24.7	4.1	27.5	4.1	6.1	2.2	550
Sixth	272.3	115.3	50.0	22.5	3.7	25.0	3.7	5.5	2.0	500
Seventh	245.0	103.7	45.0	20.2	3.4	22.5	3.4	5.0	1.8	450
Eighth	217.8	82.2	40.0	18.0	3.0	20.0	3.0	4.4	1.6	400
Ninth	190.6	80.7	35.0	15.7	2.6	17.5	2.6	3.9	1.4	350
Tenth	163.4	69.2	30.0	12.5	2.3	15.0	2.3	3.3	1.2	300

Proceeds of reparation recovery acts already in force or of systems substituted therefor by agreement with the German Government shall be reckoned as deliveries in kind for this purpose.

4. The sums received under the Dawes plan in respect of the period 1st April to 31st August, 1929, shall, after allowing for expenses in respect of administration of the Dawes plan and armies of occupation, be redistributed to the extent necessary to provide each of the creditor powers with cover for its net debt outgoings during the year ending 31st March 1930 (these outgoings are as stated in part of the report). The necessary adjustments for this purpose could be made against the payments during the last seven months of that year.

5. It is suggested that the division between the creditor governments proposed in the present annex should be accepted as a definite settlement of all questions relating to the distribution of German payments and should not be affected by any existing arrangements or by the result of accounts relating to past transactions.

On the other hand, it is not suggested that the present plan should affect or disturb in any way any existing interallied agreements relating to payments, cessions or deliveries on the part of the powers formerly allied with Germany. It may, however, prove necessary to examine any provisions of these agreements under which receipts by the creditor powers could be accounted for as between themselves in terms of German C bonds in order that they may be given an application consistent with their original practical purpose.

6. The approval of the report by the experts of the principal creditor countries is made formally contingent on this distribution.

ANNEX VIII

GUARANTEE FUND IN RESPECT OF UNCONDITIONAL ANNUITIES

1. THE experts of the principal creditor governments have agreed that there shall be assigned to France out of the unconditional annuity 500,000,000 reichsmarks in order to allow her to mobilize a substantial part of her share in the total annuity.

The aforesaid experts consider that this assignment should be final and in no case subject to diminution, but should continue to be included in the total assigned to France, subject only to the alteration contemplated in the special memorandum signed concurrently with the report of this committee.

2. In order to equalize the short payments to other creditors which would arise from a postponement of the postponable portion of the annuity it was agreed that France should de-

posit a special guarantee fund with the Bank for International Settlements.

3. On the coming into force of this plan France will give to the Bank for International Settlements an undertaking to deposit in a trust fund on the demand of the Bank for International Settlements foreign currencies to a total value of 500,000,000 reichsmarks. It is understood that this demand will not be made until action has been taken leading to the calling of the advisory committee referred to in Part VIII (E) of the report. The amount of 500,000,000 reichsmarks will be reduced by the amount of any payments made by France under Paragraph 4 below.

The Bank for International Settlements may retain this deposit as long as it deems necessary, but shall pay interest on it at its maximum current rate for long-term deposits. This deposit, if it is agreed that it shall remain for more than five years, shall be entitled to participate in the profits of the bank divisible under Section 5 of Annex I.

4. As soon as mobilization of any part of the French annuity has been effected, France will deduct from the proceeds 10 per cent thereof, or 500,000,000 reichsmarks, whichever is the less, and will deposit it to the credit of the trust account of the Bank for International Settlements referred to in the preceding paragraph.

5. Upon postponement of transfer of any payment due from Germany, the Bank for International Settlements shall take the following steps:

(a) Offer to the creditors other than France devisen up to the amount necessary (but not exceeding 500,000,000 reichsmarks divided, if necessary, proportionately) to insure to each of them receipts in devisen equal to the amounts they would have received had the non-postponable annuity been distributed in the same proportions as the total annuity.

(b) Debit the trust fund set up under Paragraph 2 above with the amount of devisen actually utilized under Paragraph (a).

(c) Receive from each creditor in exchange for devisen accepted under Paragraph (a) an assignment in favor of the trust fund of an equivalent amount of the annuity transfer of which has been postponed.

6. As and when Germany effectively transfers the postponed amounts, the bank will credit to the trust fund its share thereof in accordance with the assignment in Paragraph 5 (c) above.

Special Memorandum of the Experts of the Principal Creditor Powers and of Germany Regarding Outpayments. Concurrent memorandum, but not part of the report. (Signed con-

currently with the report of the committee of experts.)

1. In the annuities provided in the report the following amounts are required to cover outpayments:

(In millions of reichsmarks.)

2- 965.1	17-1,460.9	32-1,525.4	46-1,627.6
3- 942.3	18-1,456.9	33-1,543.0	47-1,634.2
4- 955.4	19-1,472.3	34-1,535.0	48-1,637.9
5-1,136.4	20-1,467.1	35-1,547.4	49-1,644.6
6-1,199.0	21-1,461.5	36-1,546.8	50-1,654.7
7-1,224.9	22-1,503.9	37-1,573.7	51-1,659.6
8-1,271.8	23-1,487.9	38-1,566.9	52-1,670.5
9-1,334.0	24-1,498.1	39-1,566.1	53-1,687.6
10-1,352.5	25-1,498.1	40-1,575.9	54-1,691.8
11-1,375.0	26-1,509.4	41-1,539.2	55-1,703.3
12-1,487.6	27-1,504.5	42-1,602.9	56-1,683.5
13-1,437.9	28-1,499.1	43-1,613.1	57- 925.1
14-1,455.1	29-1,506.7	44-1,621.5	58- 931.4
15-1,451.5	30-1,538.6	45-1,624.9	59- 897.8
16-1,464.7	31-1,515.4		

It is represented that in the event of modifications of those obligations for outpayments by which the creditors benefit there should be some corresponding mitigation of the German annuities. The experts of the four chief creditor countries and of Germany, therefore, recommend that Germany and all the creditor governments having obligations for outpayments should undertake between themselves an arrangement on the following basis:

2. Any relief which any creditor power may effectively receive in respect of its net outward payments on account of war debts after making due allowance for any material or financial counter-considerations and after taking into account any remissions on account of war debt receipts, which it may itself make, shall be dealt with as follows:

As regards the first thirty-seven years:

(a) Germany shall benefit to the extent of two-thirds of the net relief available by way of a reduction in her annuity obligations thereafter.

(b) One-third of the net relief shall be retained by the creditor concerned in addition to the amounts otherwise receivable from Germany.

(c) Nevertheless, so long as any liability of Germany persists in respect of the period after the 31st March, 1966, the creditor concerned will retain annually only one-fourth part of the net relief, the balance being paid to the Bank for International Settlements.

(d) These payments to the Bank for International Settlements shall accumulate to assist Germany toward meeting her liabilities in respect of the period after the 31st March, 1966; any sums found after application of the funds provided in Annex I not to be required for this purpose (together with the accumulations thereon) shall be returned to the creditor by whom they were provided.

As regards the last twenty-two years:

The whole of such relief shall be applied to the reduction of Germany's liabilities.

3. We recommend that the creditor governments should agree that if the operation of the relief to Germany envisaged in respect of a possible reduction of net outpayments is such as to change materially the proportions in which the total annuities provided for in the present plan are divided among them, they meet to consider a revision tending toward the restoration of the present proportions but having regard to the following conditions set out below and any other relevant factors then existing:

(a) The service of any bonds mobilized by the creditor country, and the balance of its net outward payments in respect of war debts remaining to be covered must continue to be met out of the share falling to it in the annuities thereafter to be paid by Germany.

(b) Due allowance shall be made for any material or financial counter-considerations accepted by the creditor country in connection with the relief accorded to it in respect of war debts payments.

4. It was originally suggested that the postponable annuities should be regulated by reference to the net amounts which the various creditors were themselves able to postpone in respect of interallied war debts, the general conditions therein governing postponements to be applied.

For various reasons this method of calculation could not be adopted, but endeavor was made to adapt the moratorium provisions in such a way that the rights granted to Germany should not be greater than those of the creditor powers. The unconditional part of the annuity has, therefore, been fixed, while guarantees have been provided for the remainder.

GERMAN REPARATION ANNUITIES COMPARED WITH ALLIED PAY- MENTS TO THE UNITED STATES

An analysis, based on the foregoing text of the report, of the payments in dollars received by the Allies under the Young plan, compared with the payments they are obligated to make to the United States in the period from 1929 to 1987 shows the following:

	Receipts From Germany	Payments to the U. S.
Great Britain..	\$5,889,625,000	\$10,141,585,000
France	14,878,400,000	6,755,174,104
Italy	4,237,200,000	2,392,677,500
Belgium	1,432,100,000	715,190,500
Yugoslavia	960,700,000	94,577,635
Rumania	457,375,000	121,606,260
Poland	4,625,000	398,480,750
Greece	124,525,000	18,105,000

To and From Our Readers

[The Editor assumes no responsibility for unsolicited manuscripts unless accompanied by return postage. Anonymous communications will be disregarded, but the names of correspondents will be withheld from publication upon request.]

MORTALITY FROM POISON GASES

DR. W. W. KEEN, Philadelphia, writes: "I have read with interest the article in your June issue by J. M. Scammell on poison gases in warfare. I notice the fact that the writer rather makes light of them as death-dealing instruments. May I call his attention to the fact that when the top of Mount Pélée in Martinique blew off a cloud of poison gas came down upon the town of St. Pierre and blotted out 40,000 lives? Every human being and animal also, I presume, was killed instantaneously with the exception of one negro who was in a jail in the basement of a building, and even he was quite badly burned. I do not know whether the chemists are aware of what this gas was, as nobody got a specimen of it, but it shows that the chemistry of nature will produce such horrible consequences, and I have no doubt that the chemists if not of today, of tomorrow, will be able to imitate nature."

* * *

A PROTEST FROM THE PHILIPPINES

To the Editor of Current History:

In an article entitled "Henry L. Stimson—a Character Sketch," by Arthur W. Page, published with your issue of April, 1929, a portion of an editorial published in the issue of *The Philippines Herald* for Sept. 22, 1928, is quoted. Though the name of *The Philippines Herald* is nowhere mentioned in your magazine, reference is made to our paper as "the leading anti-American daily." Such a conclusion on the part of the author of the article is unfair and has no foundation whatever in fact.

The Philippines Herald is essentially Filipino and considers the interests of the Filipino people paramount, but it has at no time since its acquisition by its present owners in April, 1925, evinced any anti-American tendencies that would justify Mr. Page's assertion that it is "the leading anti-American daily" of the Philippines.

The paper strenuously opposed the late Governor Wood's administration as being tyrannical, militaristic and undemocratic. Because Governor Stimson's policies were quite diametrically opposed to those of the late Governor Wood and readily secured the sincere and enthusiastic cooperation of the Filipino people, *The Herald* did not hesitate to come forward and to praise editorially Governor Stimson's methods and policies of administration in the Philippine Islands.

Unless opposition based upon elemental dem-

ocratic principles may be considered as necessarily constituting the essentials of anti-Americanism, Mr. Page's statement branding *The Philippines Herald* as "the leading anti-American daily" should be held unjustifiable, unfounded and unfair. It has praised Governor Stimson's administration in terms higher than those in the editorial quoted in Mr. Page's article. It will do so again in the case of any chief executive of the Philippines whose administration of public affairs is predicated upon the interests of the Filipino people and whose methods are not tyrannical nor militaristic, but democratic. By the same token *The Philippines Herald* will again unhesitatingly oppose any administration of the Philippines that is not based upon sound democratic principles or which disregards the interests of the Filipino people.

M. X. BURGOS JR.,

Editor and Business Manager, *The Philippines Herald*,
Manila, P. I.

* * *

R. H. BLAIN, Easton, Md., writes: "May I congratulate you on the article, 'The Interallied Debts; Their Origin and Present Status,' by Harold G. Moulton in your June issue? So far as I am aware, this is the first sane presentation of the matter that has been published in this country. It is to be hoped that it will be read by all of 'Mr. Mellon's bright young men' so that in the future such information as is allowed to seep out to the public through the press will be facts and not predigested economics adapted to the infantile intellectual development of the rest of us."

* * *

HUNGARY'S FRONTIERS UNDER THE PEACE TREATIES

To the Editor of Current History:

René Pinon, an eminent French Professor of Political Science, in an article in your May issue, says (page 215): "French policy since France's victory with her Allies in 1918 is pacific to the highest degree imaginable. France wishes only to stabilize Europe as it has been shaped and molded by the treaties which ended the great war and to which, unfortunately, the United States refused to be one of the signatories."

Since Professor Pinon says that France wishes only to stabilize Europe as it has been shaped and molded by the treaties made in France, may I draw attention to an article by

Jean Seydoux, formerly political director of the French Foreign Office, in *Germania* (an organ of the German Centrist party), in which he says that "at the Paris peace conference economic principles were not considered, and as the frontier lines of the various new countries have been drawn no attention was paid to the fact that the navigation of the Danube River is the vital blood circulation of all the States in the valley of the Danube." The French diplomat continues: "The new frontiers of Hungary have not been drawn according to principles of ethnography and economics, but purely from a military standpoint."

Only recently Aristide Briand, the French Foreign Minister, declared in a speech at Geneva that "under the peace treaties certain countries received more land and people than they could digest."

From the declarations of these two shining lights of France, whom we Hungarians ardently admire, the public opinion of America can see that they do not agree with their distinguished compatriot, Professor Pinon.

DR. I. DE JOSIKA-HERCZEG,
President, World Federation of Overseas Hungarians.
New York.

* * *

PROFESSOR SHOTWELL 'ON SPENGLER'S THEORY OF CIVILIZATION

To the Editor of Current History:

In May CURRENT HISTORY, Professor Shotwell writes an article relative to the philosophy of Spengler. On page 285, he makes this summary of criticism:

The outward form of this change from culture to civilization is seen in the growth of cities and the socializing process which city life implies. There is no sign of a direct divinity, as in Hegel, no meaning that inspires with confidence or hope, but a recurring cataclysm when the dead nerves no longer respond to impulse and the keen impressions that make the joy of living are burned out, leaving only the ashes of a worn and empty world. It should be said that the emptiness that follows upon disaster receives none of that stressing which would be given by a moralist.

Then, on page 287, as constructive criticism Professor Shotwell offers the following:

Modern civilization can escape its Winter by the application to social and political life of that same intelligence which in the physical sciences is enabling us to escape from the routine limitations of narrowed confines in time as well as space * * *

After a close perusal of the two pages mentioned, one finds that it is just therein where the contradiction arises in the anatomy of modern society, namely, that the intelligence contributed to the physical sciences did not likewise contribute to social and political sci-

ence, which treats of the concomitant evils accompanying our social life and which affects mankind as a whole.

However, the point which I desire to make is that, notwithstanding that Professor Shotwell has put his finger on the defect, yet so long as he has not demonstrated that there is an application of this "same intelligence" to social and political life and so long as he has not supplied us with a solution of our social problem, Spengler's analysis remains uncontradicted and stands as a logical proposition and free from the criticism of the professor.

W. SEMONOFF.

Providence, R. I.

* * *

CHARLES F. THWING, President Emeritus, Western Reserve University, Cleveland, Ohio, writes: "I read each number of CURRENT HISTORY and have a very keen sense of your wisdom in selecting subjects and authors and of appreciation of the rich contribution which you are thus making to human betterment and understanding."

* * *

ORIGINS OF THE WORLD WAR

To the Editor of Current History:

The first seed of the war was sown by Disraeli (Lord Beaconsfield) when he sent the British fleet under Admiral Seymour to the Bosphorus to stop Russia from further advance against Turkey. Further cultivation of the seed was from the Berlin Congress in 1878, when the Western nations of Europe tore up the San Stefano treaty and put Turkey, the "sick man of Europe," under the care of German doctors. Hence the Berlin-to-Bagdad and Persian Gulf railroad, which made the much quoted German *Drang nach Osten* policy possible. That policy was dangerous to the stability of empire of certain Western European nations and had to be removed sooner or later. Further stimulus to the growth of the seed was given during the Russo-Japanese War, when the Western Powers made a gift of Bosnia and Herzegovina to Austria-Hungary, thus facilitating, perhaps unintentionally, Germany's *Drang nach Osten* policy. The Crimean War was fought for the same reasons as Russia was encroaching too far south and east. However, some of the English historians admit that they had gambled on the wrong horse that time. It was again Russia in 1877 and Germany in 1914 that had to be put out of that part of the world near the Suez Canal and Gulf of Persia to safeguard the colonial empires of the Western nations. That was the real origin of the World War—and perhaps it will be of some more future wars.

THEODORE DAMES.

Pender Harbor, British Columbia.

World Finance—A Month's Survey

By D. W. ELLSWORTH
ASSISTANT EDITOR OF *The Annalist*

MAY was an extremely interesting month for a number of reasons. The first and perhaps the most important is that statistics for that month on pig iron production, steel ingot production and automobile production confirmed earlier indications that the pace of business activity in the United States has now definitely broken through the upper limit of the zone of so-called conservative prosperity which has been characteristic of the last five years. Business activity, in other words, is now at a level comparable with that which existed, for example, in the so-called business boom of early 1923, the first half of 1920, or, to go back to the pre-war period, the first half of 1907.

The significance of this development can scarcely be over-emphasized, in view of the fact that one of the chief and one of the most favorable aspects of the long period of generally prosperous conditions which has obtained since the Summer of 1924 has been the conservative basis on which business has generally been conducted. The situation may best be illustrated by reference to the course of The Annalist Index of Business Activity, a composite of ten of the most important series of statistics indicative of general industrial and distributive activity in the United States. The Annalist index, it is important to observe, is adjusted not only to allow for normal seasonal changes but also for the normal long-time rate of growth of the various industries represented.

In 1920, at the peak of the trade boom of that year, The Annalist index reached a maximum of 114.9 in March. In 1923, at the culmination in May of the recovery from the 1921 depression, it rose to 115.0. From September, 1923, to March, 1929, however, the index at no time went higher than 107.1, reflecting a condition which has come to be considered of such basic importance that President Hoover's Committee on Recent Economic Changes stated in its recent report that it represented a definite, fundamental change in the characteristics of the business cycle.

In April, 1929, however, The Annalist Index of Business Activity rose to 107.5; and early in June statistics on automobile production, steel ingot production and pig iron production made it reasonably certain that the May Index would exceed by a considerable margin the April figure. Both steel ingot production and pig iron production established new high records for all time, despite the fact that

there is usually a seasonal decline beginning in March and lasting until July.

The rapidity of the recent expansion in business activity has led to a widespread expectation that the latter part of the year 1929 will be a period of business recession. None of the various statistical services which are engaged in business forecasting are very definite, however, as to just when the recession is expected to begin, which makes their forecasts of little value, because every informed business executive for whom these forecasts should be of real value knows that in the past periods of over-expansion have always been followed by periods of recession.

The current expansion in business activity is of great importance, not only because it seems probable that it will be overdone and will thus lead to a business depression some time in the future, but also because of its effects on an already critical credit situation. The stock market declined substantially in May, thus releasing a large amount of credit previously tied up in loans on securities; but the decline in brokers' loans was partly, though not entirely, offset by an increase in the demand for commercial loans.

Nevertheless, the credit situation showed substantial improvement at the end of May, the outstanding manifestation of that development having been the absence of any acute stringency in call money such as that which has characterized other recent month-end periods. There was also a pronounced easing early in June in the rate on Stock Exchange time loans, although the average rate for May, allowing for seasonal factors, was sharply higher than in April, and was the highest of any month in the entire period since the close of the war.

The refusal of the Federal Reserve Board to allow the Federal Reserve banks to raise their rediscount rates was another development of great importance to the future of the credit situation, not only in this country but in Europe as well. It became definitely established in May that the Federal Reserve banks of New York, Philadelphia, Boston and Chicago had repeatedly voted to raise their rediscount rates, only to have their actions vetoed by the Federal Reserve Board apparently on the ground that such action would be harmful to business. There is no need here to go into the merits of the question itself; it has become a topic of nation-wide discussion and has stirred up a series of violent debates in Congress. The im-

portant point, from a practical standpoint, is that by postponing an increase in rates the Federal Reserve authorities have now definitely abandoned any hope they may have had of making their policy of restricting credit for speculative purposes completely effective. The reason for this is that the crop moving and crop exporting period is now at hand, when European exchanges normally turn against this country, so that rediscount rates cannot be raised without increasing the amount of gold which is already moving to the United States. Sterling exchange throughout May hovered only slightly above the gold import point, and early in June a shipment of \$1,000,000 was made from London to New York, which was probably the forerunner of other and larger gold shipments.

The high level of interest rates at New York has, as a matter of fact, attracted gold in considerable quantities for several months, despite efforts on the part of foreign central banks to prevent the movement. As far as the domestic credit situation is concerned, however, the effect of these imports has been offset by the open-market policy of the Federal Reserve banks. Since June 30, 1928, these imports have resulted in a net increase in the monetary gold stock of the United States of about \$180,000,000, but the effect which this movement would normally have on the money market has been offset by the action of the Reserve banks in selling on the open market a large part of their holdings of government securities and bankers' acceptances, the net decrease in these two items combined between June 30, 1928, and May 31, 1929, having been about \$172,000,000. This offsetting process cannot be continued much longer, however, for the simple reason that on May 31, 1929, the combined holdings of these two items were down to \$263,000,000.

This is a fact of basic importance, because with the prospect that gold will continue to come in whether or not rediscount rates are raised, the inevitable result will be an easing of the credit situation, a result which will be magnified if the stock market continues its recent downward movement. Easier credit conditions, in turn, will mean improvement for the bond market, provided, of course, that the additional credit made available by gold imports is not promptly absorbed in stock speculation.

Another important development in May was the decline in wheat prices to the lowest levels in several years just at the time when Congress was wrangling over the farm relief bill. After selling below \$1 a bushel, a subsequent violent break in the market carried May futures down to 93¼ cents on the last day of May, and the Conference Committee of the Senate and the House of Representatives hastily composed their quarrel over the debentures scheme and

agreed on a farm relief bill providing a large revolving fund to be made immediately available for taking the surplus wheat off the market. As this year's surplus is now almost entirely in the grain elevators, out of the hands of the farmers and in the hands of the middlemen, it seems to be the latter who will benefit from whatever artificial stimulus to prices may result from the measure, and not the farmers, at least for another year.

The settlement of the reparations question is a great step forward in world financial progress, but the American credit situation is still a source of vexation to the principal foreign money centres. Since the Reichsbank raised its discount rate gold exports have ceased and the Reichsbank has been able to replenish its foreign exchange reserve. The Bank of England has continued to add to its gold holdings, but at a slow rate, and the prospect that there will be a severe drain of gold to America in the next few months is not reassuring. It is doubtful, now, however, if the Bank of England makes any further increase in its rate. The British banking authorities tend to over-emphasize the effect of the money market on trade, and an increase in the bank rate will evidently be postponed as long as it is possible to do so.



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